

AXA CHINA REGION INSURANCE COMPANY
(BERMUDA) LIMITED

Reports and Financial Statements
(including Financial Information for the purpose of submission
to the Insurance Authority)
For the year ended 31 December 2021

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

REPORTS AND FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 December 2021

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AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

DIRECTORS' REPORT

The directors of AXA China Region Insurance Company (Bermuda) Limited (the "Company") have pleasure in presenting their annual report and the audited financial information for the year ended 31 December 2021 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the provisions of the Companies Act 1981 of Bermuda and the Hong Kong Insurance Ordinance ("HKIO").

PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting insurance business.

During the year, the Company has carried on employee compensation, motor vehicle and liability insurance business relating to liabilities or risks in respect of which persons are required by law to be insured.

RESULTS AND APPROPRIATIONS

The results of the Company, prepared in accordance with accounting principles generally accepted in Hong Kong, for the year ended 31 December 2021 are set out in the statement of profit or loss and other comprehensive income on page 15 of the financial statements.

During the year, no dividend (2020: US\$Nil) was paid to the ordinary shareholder.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 20 to the financial statements.

RESERVES

Movements in the reserves of the Company during the year are set out in the statement of changes in equity.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Company during the year are set out in note 13 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates as at 31 December 2021 are set out in notes 15 and 16 respectively to the financial statements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

DIRECTORS' REPORT- continued

REINSURANCE ARRANGEMENTS

The Company has reinsurance arrangements with various reputable reinsurers. They are summarised by line of business as follows:

<u>Line of business</u>	<u>Retention</u>	<u>Type of treaty</u>
Individual business	US\$125,000 for policies effective before 1 September 2008	Surplus
	US\$350,000 for policies effective on or after 1 September 2008	
	1% share of guaranteed death benefit less guaranteed surrender value less other reinsurance payable under any other treaty for in-force policies as at 31 Dec 2016	Quota share
	US\$70,000	Surplus
	50% Share	Quota share
	US\$34,000	Surplus
	1% share	Quota share
	1% of surrender value in death benefit	Quota share
	50% Share	Quota share
	40% Share	Quota share
	10% share of life benefit	Quota share
	HK\$ 5m	Excess of loss
	4.3% share of all benefits	Coinsurance
	4.3% share of death benefit	Quota share
	1% share	Quota share
	81%/76%/71%/70%/61% share	Quota share
Individual business (accepted)	100% share	Quota share
Medical & Critical illness (accepted)	80% share	Quota share
	50% share	Quota share
	20% share	Quota share
Critical illness	US\$125,000 for policies effective before 1 September 2008	Surplus
	US\$250,000 for policies effective on or after 1 September 2008	
	Retain the same proportion of risk as basic life benefit	Surplus
	HK\$ 300,000	Surplus
	25% share up to HK\$300,000 per life	Quota share
	20% share up to HK\$300,000 per life	Quota share
	10% share up to HK\$300,000 per life	Quota share
	26.2% share of all insurance risks	Modified coinsurance
	15% share of all insurance risks	Modified coinsurance
Disability Income	Effective Time	Surplus
	1983	HK\$5,000
	1 Jan 1986	HK\$8,000
	1 Jan 1987	HK\$10,000
	1 Jan 1989	HK\$16,000
	1 Mar 1996	HK\$40,000
	US\$2,500 per month	Surplus

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

DIRECTORS' REPORT- continued

REINSURANCE ARRANGEMENTS - continued

<u>Line of business</u>	<u>Retention</u>	<u>Type of treaty</u>
Waiver of Premium	US\$3,750 per annum	Surplus
Individual business - medical	1% of insurance 25% of insurance 25% of insurance	Quota share Quota share Quota share
Deferred Annuity	40% share under accumulation phase	Quota Share
Life and Personal Accident	USD 40,000,000	Catastrophe excess of loss
Group life	70% Sum Insured to HK\$560,000 for death 70% Sum Insured to HK\$240,000 for critical illness MOP2,800,000 Sum Insured for death	Quota share Quota share Surplus
General Insurance - Combined Liability	HK\$8 million	Excess of loss
a) Motor own damage, third party property damage and third party bodily injury		
b) Employee's compensation and employer's liability		
c) Public liability/engineering liability		
Marine	US\$12 million for Cargo US\$3 million for Marine hull, Builders risks, Marine liabilities, Pleasure craft hull, and Pleasure craft third party liability US\$350,000	Surplus Excess of loss
Property Cat	HK\$14 million	Excess of loss
Property	HK\$6 million HK\$110 million	Excess of loss Surplus
Personal Accident	HK\$2.9 million	Excess of loss
General Insurance Business (Travel, Home Contents, Business Insurance, Domestic Helper, Commercial Vehicle and Private Motor Car)	0% share for Travel, Home Contents, Business Insurance, Domestic Helper and Commercial Vehicle 60% share for Private Motor Car	Quota share

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

DIRECTORS' REPORT- continued

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

G.T. Watson
Y.W. Wan
K.M. Wong
C.J. Ryan
C. Feathers
P.J. Fishwick
P.D. Sullivan

(appointed on 1 May 2021)
(resigned on 1 May 2021)

In accordance with Bye-Law 74 of the Company's Bye-Laws, all remaining directors retire and, being eligible, offer themselves for re-election.

CONTROLLERS

The controllers of the Company, within the meaning of Section 9(1) of the Hong Kong Insurance Ordinance, during the year and up to the date of this report were:

AXA Assurances IARD Mutuelle
AXA SA ("AXA")
AXA ASIA SAS
AXA China Region Limited
T. Buberl
G.T. Watson
Y.W. Wan
Y.M. Koh

(ceased to be a Controller on 1 February 2021)

DIRECTORS' AND CONTROLLERS' INTERESTS

No contracts of significance to which the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries was a party and in which a director or a controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No properties were transferred, loans advanced to or obligations assumed by or for a director or a controller of the Company, his nominees or associates (within the meaning of section 9 of the Insurance Ordinance) during the year. Amount paid or payable to the directors or controllers of the Company for the year are shown in notes 9 and 32 to the financial statements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

DIRECTORS' REPORT- continued

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

During the year, a director and certain controllers of the Company who were a director and controllers during the year held options to subscribe for shares at fixed prices in AXA, the ultimate holding company of the Company, granted under the AXA SA Stock Option Plan. Mr. T. Buberl and Mr. G.T. Watson partially exercised their options under the AXA SA Stock Option Plan to subscribe for AXA shares.

During the year, certain directors and the controllers of the Company who were directors and controllers during the year held performance shares granted under the International Performance Share Plan of AXA. Under this Plan, AXA grants to certain executives performance shares to acquire AXA shares at the end of the acquisition period without any exercise price. Mr. T. Buberl and Ms. K.M. Wong acquired AXA shares under this Plan.

During the year, a controller of the Company who was a controller during the year held performance shares dedicated to retirement granted under the Performance Share Retirement Plan of AXA. Under this Plan, AXA grants to certain executives performance shares to acquire AXA shares at the end of the acquisition period without any exercise price. Mr. T. Buberl acquired AXA shares under this Plan.

During the year, Mr. T. Buberl, Mr. G.T. Watson, Ms. Y.W. Wan, Ms. K.M. Wong and Ms. Y.M. Koh participated in the AXA Shareplan. Under this Shareplan, AXA offers employees of the AXA Group opportunity to invest and hold units in funds in this Shareplan which in turn hold AXA shares. This Shareplan enables such employees to purchase AXA shares indirectly through the funds at fixed discounts to AXA share prices.

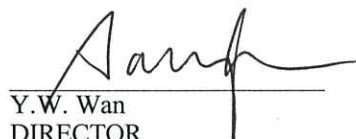
Apart from the above, at no time during the year was the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries a party to any arrangements to enable the directors and controllers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. PricewaterhouseCoopers, will retire at the forthcoming annual general meeting.


A resolution will be submitted to the shareholder of the Company to re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board



Y.W. Wan
DIRECTOR

25 APR 2022



M.C. Lam
ASSISTANT SECRETARY

25 APR 2022

Independent Auditor's Report

To the Shareholder of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The financial statements of AXA China Region Insurance Company (Bermuda) Limited (the "Company") standing alone, which are set out on pages 15 to 93, comprise:

- the balance sheet as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

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

Independence

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

Independent Auditor's Report

To the Shareholder of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the directors' report on pages 1 to 5 and financial information prepared under the Insurance Ordinance on pages 94 to 116, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements of the Company Standing Alone

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholder of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements of the Company Standing Alone

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Independent Auditor's Report

To the Shareholder of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2022

Independent Auditor's Report

To the Board of Directors of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Information

Opinion

What we have audited

The financial information of AXA China Region Insurance Company (Bermuda) Limited (the "Company"), which is set out on pages 15 to 116, comprises:

- the balance sheet as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement and the revenue account for the year then ended; and
- the notes to the financial information, which include significant accounting policies and other explanatory information, and the supplementary schedules set out on pages 94 to 116.

Opinion

In our opinion, the financial information set out on pages 15 to 116 is prepared, in all material respects, in accordance with the provisions of the Hong Kong Insurance Ordinance (the "Ordinance") and, on that basis, the long term business balance sheet on page 110 to 114, when read in conjunction with the notes on pages 21 to 93 and the supplementary schedules on pages 94 to 116, gives a true and fair view of the financial position of the Company's long term business as at 31 December 2021 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the provisions of the Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 810.2 (Revised), "The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report.

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

Independence

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

Independent Auditor's Report

To the Board of Directors of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 3 to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Company in complying with the provisions of the Ordinance. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the submissions by the Company to the Hong Kong Insurance Authority and the Registrar of Companies and is not intended to be, and should not be, distributed to or used by anyone for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in directors' report on pages 1 to 5, but does not include the financial information and our auditor's report thereon.

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

In connection with our audit of the financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Information

The directors are responsible for the preparation of the financial information that is in accordance with the provisions of the Ordinance. This responsibility includes the preparation of a long term business balance sheet which, when read in conjunction with the notes and supplementary schedules to the financial information, gives a true and fair view of the financial position of the Company's long term business, in accordance with the provisions of the Ordinance and HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

To the Board of Directors of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Responsibilities of Directors and Those Charged with Governance for the Financial Information (Continued)

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

In addition, the directors are required to maintain proper records in accordance with section 16 of the Ordinance and to maintain an excess of assets over liabilities by the aggregate of the relevant amount applicable and attributable to its general business as defined in section 10 of the Ordinance and the greater of the required margin of solvency attributable to its long term business as determined by the Company's appointed actuary in accordance with the Insurance (Margin of Solvency) Rules and the relevant amount applicable and attributable to its long term business as defined in the Ordinance.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information. In addition, we express opinion on whether proper records have been maintained in accordance with section 16 of the Ordinance and as to whether the value of the assets of the Company as determined under the Ordinance exceeds its liabilities by not less than the relevant amount applicable and attributable to general business and the greater of the required margin of solvency attributable to its long term business as determined by the Company's appointed actuary in accordance with the Insurance (Margin of Solvency) Rules and the relevant amount applicable and attributable to its long term business as defined in the Ordinance as at year end.

Independent Auditor's Report

To the Board of Directors of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Auditor's Responsibilities for the Audit of the Financial Information (Continued)

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

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

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

Independent Auditor's Report

To the Board of Directors of AXA China Region Insurance Company (Bermuda) Limited
(incorporated in Bermuda with limited liability) (Continued)

Report on matters under paragraphs 4(1AC) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance

In respect of the Company's general business, the relevant premium income, the relevant claims outstanding and the relevant amount applicable, as defined in section 10 of the Ordinance and reported in note 7 and 22 to the financial information, amounted to US\$87,738,089, US\$33,525,236 and US\$11,339,129 respectively as at 31 December 2021.

In respect of the Company's long term business, the required margin of solvency, as determined by the Company's appointed actuary in accordance with the Insurance (Margin of Solvency) Rules, being greater than the relevant amount applicable, as defined in section 10 of the Ordinance, amounted to US\$679,384,941 as at 31 December 2021.

In our opinion:

- (i) proper records have been maintained in accordance with section 16 of the Ordinance in respect of the year ended 31 December 2021; and
- (ii) the value of the assets of the Company as stated in the financial information exceeds its liabilities by not less than US\$690,724,070, being the aggregate of the relevant amount applicable and attributable to its general business and the required margin of solvency attributable to its long term business as at 31 December 2021.

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers", written in a cursive style.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2022

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
<u>STATEMENT OF PROFIT OR LOSS</u>			
<u>INSURANCE PREMIUM REVENUE</u>			
Gross premiums and contributions	7	3,406,187,331	2,993,955,337
Reinsurance premiums accepted	7	69,484,958	29,126,166
Reinsurance premiums ceded	7	(683,467,556)	(283,519,483)
		<u>2,792,204,733</u>	<u>2,739,562,020</u>
Investment income	8	764,878,827	728,349,757
Net realised and unrealised (losses)/gains on investments	8	(1,105,168,821)	2,127,615,969
Other income		40,976,538	87,911,385
Gross claims		(304,519,888)	(299,089,786)
Reinsurance claims accepted		(27,318,281)	(4,551,993)
Claims recoverable		192,101,911	92,178,747
Surrenders, maturities, dividends and withdrawals		(829,015,883)	(787,083,633)
Gross commissions		(380,263,384)	(316,737,222)
Commissions on reinsurance accepted		(13,059,555)	(3,889,482)
Commissions on reinsurance ceded		74,648,968	62,024,205
Gain on portfolio reinsurance	21	189,479,263	-
Management and other expenses		(312,565,223)	(214,276,353)
Gain on disposal of subsidiaries	15	926,898	-
Investment expenses		(232,637,066)	(191,836,786)
Increase in insurance liabilities		(1,224,460,921)	(2,966,203,376)
Increase in reinsurance assets		360,236,459	264,280,080
Increase in investment liabilities		(5,970,447)	(140,784,386)
(LOSS)/PROFIT BEFORE TAXATION	9	(19,525,872)	1,177,469,146
TAXATION	10	(39,528,859)	(32,240,508)
		<u>(59,054,731)</u>	<u>1,145,228,638</u>
<u>OTHER COMPREHENSIVE LOSS</u>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		(17,678,010)	(752,996)
Net deferred tax		-	-
OTHER COMPREHENSIVE LOSS, net of tax		<u>(17,678,010)</u>	<u>(752,996)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>(76,732,741)</u>	<u>1,144,475,642</u>
DIVIDENDS	11	-	-

The notes on pages 21 to 93 are an integral part of these financial statements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

BALANCE SHEET
AT 31 DECEMBER 2021

	NOTES	At 31.12.2021 US\$	At 31.12.2020 US\$
<u>ASSETS</u>			
INTANGIBLE ASSETS	12	188,048	260,844
PLANT AND EQUIPMENT	13	2,062,782	2,376,476
RIGHT-OF-USE ASSETS	14	1,453,854	170,694
INVESTMENTS IN SUBSIDIARIES	15	1,122,927,748	1,862,997,551
INVESTMENTS IN ASSOCIATES	16	127,094,620	78,177,678
INVESTMENTS IN SECURITIES	17, 32	21,573,263,202	28,500,463,639
LOANS	18	172,220,531	166,359,304
DEFERRED TAX ASSETS	19	-	-
OTHER ASSETS			
Direct premiums receivable	25	305,412,499	390,441,902
Debtors and prepayments, unsecured	25	141,247,338	183,349,563
Reinsurance assets	21, 22, 25	6,368,206,894	1,133,304,212
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	25	4,522,007	3,800
Amount due from an insurer subsidiary	25	19,200,427	257,549,650
Amount due from the immediate holding company	25	41,580,454	31,595,262
Amount due from the ultimate holding company	25	308	-
Amounts due from fellow subsidiaries	25	82,910	394,600
Derivative financial instruments	29	237,502,143	198,387,886
Pledged bank deposits	28, 31	44,802,201	44,774,386
Fixed term bank deposits	28	37,703,480	101,024,071
Cash and cash equivalents	28	715,975,826	893,671,328
		7,916,236,487	3,234,496,660
TOTAL ASSETS		30,915,447,272	33,845,302,846

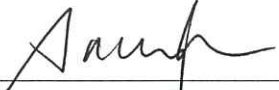
AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

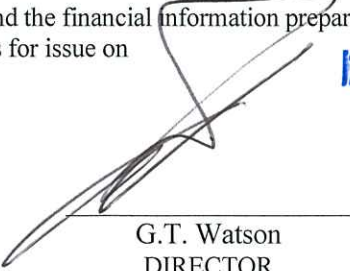
BALANCE SHEET - continued
AT 31 DECEMBER 2021

	NOTES	At 31.12.2021 US\$	At 31.12.2020 US\$
<u>EQUITY AND LIABILITIES</u>			
<u>CAPITAL AND RESERVES</u>			
Share capital	20	175,782,800	175,782,800
Reserves			
Share premium		383,257,000	383,257,000
Fair value reserve		(18,431,006)	(752,996)
Retained profits		2,804,118,728	2,863,173,459
		3,168,944,722	3,245,677,463
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		3,344,727,522	3,421,460,263
INSURANCE LIABILITIES	21	18,435,986,457	17,211,879,541
DEFERRED TAX LIABILITIES	19	2,823,724	1,378,481
<u>OTHER LIABILITIES</u>			
Financial liabilities – investment contracts	21,23	1,562,913,539	1,649,246,196
Derivative financial instruments	29	954,391,720	521,885,280
Repurchase obligations and debt instruments liabilities	25	3,303,817,680	7,839,987,558
Creditors and accrued charges	25	396,853,251	494,023,444
Lease Payable	14	1,527,879	196,108
Claims payable	22	234,940,468	211,709,669
Commissions payable	25	130,417,600	119,713,483
Policyholders' funds on deposit	25	428,734,329	375,956,754
Dividend payable	25	1,836,884,640	1,772,298,039
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	25	168,586,271	56,664,481
Amounts due to non-insurer subsidiaries	25	-	2,468,951
Amount due to the ultimate holding company	25	-	12,444,218
Amount due to an intermediate holding company	25	2,993,055	2,996,288
Amounts due to fellow subsidiaries	25	106,230,260	120,440,429
Amount due to a related company	25	-	2,010,510
Current tax payables		3,618,877	28,543,153
		9,131,909,569	13,210,584,561
TOTAL EQUITY AND LIABILITIES		30,915,447,272	33,845,302,846

The notes on pages 21 to 93 are an integral part of these financial statements.

The financial statements on pages 15 to 93 and the financial information prepared under the Insurance Ordinance on pages 94 to 116 were approved by the Board of Directors for issue on and were signed on its behalf by:


Y.W. Wan
CHIEF EXECUTIVE OFFICER


G.T. Watson
DIRECTOR


K.M. Wong
DIRECTOR

12 5 APR 2022

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Attributable to shareholders of the Company				
		Share capital	Share premium	Retained profits	Fair value reserve	Total
		US\$	US\$	US\$	US\$	US\$
At 1 January 2020		175,782,800	383,257,000	1,717,944,821	-	2,276,984,621
Profit for the year		-	-	1,145,228,638	-	1,145,228,638
Other comprehensive income for the year		-	-	-	(752,996)	(752,996)
Dividends		-	-	-	-	-
At 31 December 2020		175,782,800	383,257,000	2,863,173,459	(752,996)	3,421,460,263
Loss for the year		-	-	(59,054,731)	-	(59,054,731)
Other comprehensive income for the year		-	-	-	(17,678,010)	(17,678,010)
Dividends	11	-	-	-	-	-
At 31 December 2021		175,782,800	383,257,000	2,804,118,728	(18,431,006)	3,344,727,522

The notes on pages 21 to 93 are an integral part of these financial statements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(19,525,872)	1,177,469,146
Adjustments for:			
Interest income on debt securities		(397,778,403)	(463,347,620)
Interest income on bank deposits		(2,793,460)	(3,559,766)
Interest income on policy loans		(15,839,337)	(14,582,268)
Interest income on amount due from an immediate holding company		(1,130,912)	(2,032,445)
Net realised and unrealised losses/(gains) on investments	8	1,105,168,821	(2,127,615,969)
Other income/(expenses)		(72,446,336)	105,219,786
Amortisation of intangible assets		14,776,805	5,794,112
Depreciation of plant and equipment		302,665	382,523
Depreciation of right-of-use assets		1,219,009	1,058,884
Interest expense on lease payable		10,910	20,312
Exchange difference		(148,615)	13,837
Cash flows from operations before working capital changes		611,815,275	(1,321,179,468)
Decrease/(increase) in direct premiums receivable		85,029,403	(96,678,734)
(Increase)/decrease in debtors and prepayments		(7,419,787)	28,394,768
Increase in reinsurance assets		(5,234,902,682)	(296,899,608)
Increase in amounts due from reinsurers and intermediaries under reinsurance contracts ceded		(4,518,207)	(19)
Decrease/(increase) in amount due from an insurer subsidiary		238,349,223	(257,549,650)
(Increase)/decrease in amount due from the immediate holding company		(8,854,280)	4,504,790
(Increase)/decrease in amount due from the ultimate holding company		(308)	308
Decrease in amounts due from fellow subsidiaries		311,690	1,426,113
Increase in pledged bank deposits		(27,815)	(24,753,349)
Increase in insurance liabilities		1,224,106,916	2,965,395,513
(Decrease)/increase in repurchase obligations and debt instruments liabilities		(4,536,169,878)	5,001,894,756
(Decrease)/increase in creditors and accrued charges		(97,170,193)	229,667,099
Increase in claims payable		23,230,799	65,810,478
Increase/(decrease) in commissions payable		10,704,117	(4,734,559)
Increase/(decrease)/increase in policyholders' funds on deposit		52,777,575	(9,221,675)
Increase in dividend payable		64,586,601	187,111,287
Increase in amounts due to reinsurers and intermediaries under reinsurance contracts ceded		111,921,790	4,029,276
Decrease in amounts due to non-insurer subsidiaries		(2,468,951)	(12,353,743)
Decrease in amount due to an insurer subsidiary		-	(38,366,830)
(Decrease)/increase in amount due to the ultimate holding company		(12,444,218)	12,444,218
(Decrease)/increase in amount due to an intermediate holding company		(3,233)	14,586
(Decrease)/increase in amounts due to fellow subsidiaries		(14,210,169)	53,238,326
(Decrease)/increase in amount due to a related company		(2,010,510)	1,259,074
(Decrease)/increase in financial liabilities – investment contracts		(86,332,657)	16,861,372
Capitalisation of intangible assets		(14,705,427)	(5,997,937)
Net cash (used in)/generated from operations		(7,598,404,926)	6,504,316,392

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

CASH FLOW STATEMENT - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>NOTES</u>	Year ended <u>31.12.2021</u> US\$	Year ended <u>31.12.2020</u> US\$
Hong Kong profits tax paid		(47,303,117)	-
Overseas withholding tax paid		(15,541,949)	(7,887,537)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		<u>(7,661,249,992)</u>	<u>6,496,428,855</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received on debt securities		447,575,650	439,972,767
Interest received on bank deposits		3,028,112	3,573,923
Interest received on policy loans		15,329,450	14,720,722
Decrease in fixed term bank deposits		63,320,591	125,180
Decrease in investment in a subsidiary		1,449,516	12,432,779
Proceeds from sale of investments in securities		87,029,466,545	51,205,369,392
Purchase of investments in securities		(79,797,840,950)	(57,809,444,064)
Purchase of derivative (net)		(271,730,125)	(25,831,126)
(Increase)/decrease in policyholders' loans		(5,872,427)	12,028,007
Decrease in mortgage and other loans		11,200	28,657
Purchase of plant and equipment		(1,903)	(63,185)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		<u>7,484,735,659</u>	<u>(6,147,086,948)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease payable		(1,181,169)	(1,079,883)
Dividends paid	11	-	-
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,181,169)</u>	<u>(1,079,883)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(177,695,502)</u>	<u>348,262,024</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>893,671,328</u>	<u>545,409,304</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	<u><u>715,975,826</u></u>	<u><u>893,671,328</u></u>

The notes on pages 21 to 93 are an integral part of these financial statements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

The Company is an exempted company incorporated under the laws of the Islands of Bermuda with limited liability. Its parent company is AXA China Region Limited, incorporated in Bermuda and its ultimate controlling party is AXA, incorporated in France. The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and the principal place of business of the Company is 20th Floor, Vertical Sq, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.

The principal activity of the Company is underwriting insurance business.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 - amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Company also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle,
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to
- HKAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

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

(b) New standards and interpretations not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. The Company’s assessment of these new standards and interpretations is set out below.

HKFRS 9, “Financial instruments” replaces the whole of HKAS 39.

In the current year, the Company has applied the temporary exemption from HKFRS 9 under paragraph 20A of HKFRS 4, which permits, but does not require, the insurer to apply HKAS 39 for annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from HKFRS 9 if, and only if, (a) it has not previously applied any version of HKFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss; and (b) its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in HKFRS 4.

The carrying amount of the Company’s liabilities connected with insurance (including life insurance contract liabilities, unearned premium provisions, provision for outstanding claims, investment contract liabilities, insurance creditors and others) relative to the total carrying amount of all its liabilities as at 31 December 2015 was higher than 80%. For the purpose of paragraph 20D of HKFRS 4, the Company’s activities continue to be predominantly connected with insurance, based on the sources of income and expenses, the Company’s industry classification, and other factors.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)
- continued

(b) New standards and interpretations not early adopted - continued

The additional disclosures required as a result of applying temporary exemption from HKFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets under HKFRS 9 as at 31 December 2021 and fair value changes for the year then ended 31 December 2021:

	Fair value as at 31 December 2021 US\$	Fair value changes for the year ended 31 December 2021 US\$
Held-for-trading financial assets (A) ¹	237,502,143	(389,695,025)
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	9,178,213,246	(422,982,360)
Financial assets that are neither A nor B		
- Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	13,387,558,956	(1,297,071,695)
- Financial assets with contractual terms that do not meet SPPI terms (D)	-	-
	<hr/>	<hr/>
Total	22,803,274,345	(2,109,749,080)
	<hr/>	<hr/>

¹ Including investments in held-for-trading securities held for policyholders of unit-linked products.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - continued

(b) New standards and interpretations not early adopted - continued

(i) Fair value of financial assets - continued

The table below presents the fair value of the following groups of financial assets under HKFRS 9 as at 31 December 2020 and fair value changes for the year then ended 31 December 2020:

	Fair value as at 31 December 2020 US\$	Fair value changes for the year ended 31 December 2020 US\$
Held-for-trading financial assets (A) ²	198,387,886	(344,749,383)
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	8,605,290,444	922,022,641
Financial assets that are neither A nor B		
- Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	21,577,385,543	1,383,906,766
- Financial assets with contractual terms that do not meet SPPI terms (D)	-	-
Total	30,381,063,873	1,961,180,024

Other financial assets including amounts due from group companies are financial assets which meet the SPPI conditions. The carrying amounts to these assets approximate their fair values.

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 5.5(i).

HKFRS 17, Insurance Contracts will replace the current HKFRS 4, Insurance Contracts. HKFRS 17 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. The Company is undertaking a detailed assessment of the new standard. The standard is mandatory effective for financial periods beginning on or after 1 January 2023.

There are no other HKFRSs interpretations that are not yet effective that would be expected to have a material impact on the Company.

² Including investments in held-for-trading securities held for policyholders of unit-linked products.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Companies Act 1981 of Bermuda.

The financial information of the Company have been prepared in accordance with all the applicable HKFRSs and the provision of the Hong Kong Insurance Ordinance (the “HKIO”).

Basis of preparation

The Company has taken advantage of the exemption under HKFRS 10 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its parent, AXA SA. AXA SA was incorporated in France. It has prepared the consolidated financial statements for public use in accordance with IFRS. The address where these consolidated financial statements are obtainable is www.axa.com.

The principal accounting policies adopted are as follows:

3.1 Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company. Premiums from insurance contracts and investment contracts with discretionary participation features (“DPF”) are recognised in the statement of profit or loss on an accruals basis.

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are recognised as reinsurance premiums ceded. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are recognised as reinsurance premiums accepted.

Premiums paid by the Company in respect of contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are recognised as reinsurance premiums ceded. For portfolio reinsurance, the initial payments to the reinsurer are not recognised as reinsurance premiums ceded in the income statement. The net gain/(loss) on the purchase of reinsurance is presented in the income statement under the heading gain on portfolio reinsurance.

Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are recognised as reinsurance premiums accepted.

Reinsurance premiums accepted and reinsurance premium ceded are recognised in the statement of comprehensive income when they become payable by the contract holder.

For short-term insurance contracts and reinsurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability which is included in insurance liabilities. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Fee income is measured at the fair value of the consideration received or receivable for long term business in the ordinary course of the Company’s activities.

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

Dividend income is recognised when the right to receive payment is established.

Purchases and sales of investments in securities are recognised as a trade date basis. Realised gains or losses on disposal and unrealised gains or losses on investments are recognised in the statement of profit or loss.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Company has control. The Company controls an entity when the Company 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.

Investments in subsidiaries other than unit trusts are stated at cost as reduced by any identified impairment loss. Investments in unit trusts are classified as financial assets and are stated at fair value through profit or loss.

Income from the subsidiaries is accounted for by the Company on the basis of dividends received or receivable during the year. Dividends are receivable when the right to receive has been established.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the financial statements exceeds the net asset value of the investee's financial statements.

3.3 Leases

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.
- lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the company:

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

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.3 Leases - continued

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

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

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

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

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

3.4 Associates

Associates are all entities over which the Company has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

In the Company's balance sheet, investments in associates other than unit trusts are stated at cost, as reduced by any identified impairment loss. Results of the associates are accounted for by the Company on the basis of dividends received or receivable during the year.

Investments in unit trusts are classified as financial assets and are stated at fair value through profit or loss.

3.5 Plant and equipment

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

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

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives to the Company after taking into account of their estimated residual value, using the straight-line method, at the following annual rates:

Leasehold improvements	10-20%
Furniture, fixtures and equipment	10-20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.6 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: available-for-sales, financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are either financial assets held for trading or the Company has designated those as financial assets at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Financial assets held for trading consist of derivatives.

The Company designates certain financial assets upon initial recognition as financial assets at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to HKAS 39, the fair value option is only applied when the following conditions are met:

- the application on the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consist of debt host and embedded derivatives that must be separated.

Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in the statement of profit or loss as 'Net realised and unrealised gains/ (losses) on investments'.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; and (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(iii) 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.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.6 Financial assets - continued

(b) Recognition and measurement

Regular-way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset.

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. The fair values of quoted investments in active markets are based on current bid prices. Valuation of fair values for unlisted unit trusts is based on latest available bid price or net asset value per unit. If there is no active market for a financial asset, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis / option pricing models, and other valuation techniques commonly used by market participants.

For holdings in hedge funds and private equity funds, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the amounts which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception. The fair values of private companies are determined based on the net asset values reported by administrators.

Loans and receivables are carried at amortised cost using the effective interest method less impairment 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.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are presented in the statement of profit or loss as "net realised and unrealised gains/(losses) on investments" in the period in which they arise.

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 monetary available-for-sale investments, such as debt securities are calculated as if they were carried at amortised cost and so are recognised in the statement of profit or loss as "investment income".

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.

Realised gains and losses on available-for-sale financial assets are determined as the difference between sale proceeds and the cost and recognised in the statement of profit or loss as "net realised and unrealised gains/(losses) on investments".

Interest and dividend from "financial assets at fair value through profit or loss" are recognised in the statement of profit or loss as "investment income" when the Company's right to receive payments is established.

Interest on loans and receivables calculated using the effective interest rate method is recognised in the statement of profit or loss as part of "investment income". Interest income from debt securities classified as available-for-sale is recognised in "investment income" in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.6 Financial assets - continued

(c) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a 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 occurred after the initial recognition of the asset (a "loss event") and that a 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.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading to below investment grade level.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists 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.

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

When a decline in the fair value of an available-for-sale financial 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 the statement of profit or loss.

If the fair value of a debt instrument 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 the statement of profit or loss, the impairment loss is reversed through the statement of 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. SIGNIFICANT ACCOUNTING POLICIES - continued

3.7 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

(i) Financial liabilities at fair value through profit or loss

A financial liability is typically classified as fair value through profit or loss if it meets the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases; or
- Part of a group of financial liabilities that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis; and
- Financial instruments, such as debt securities issued, containing one or more embedded derivatives significantly modify the cash flows.

Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised as increase / decrease in investment liabilities in the statement of profit or loss.

Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

(ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost using the effective interest method. Interest expense calculated using the effective interest rate method is recognised as investment expenses in the statement of profit or loss.

3.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into which represents their cost excluding transaction costs, which are expensed, and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Gains or losses are recognised in net realised and unrealised gains or losses in the statement of profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.9 Impairment of non-financial assets

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

3.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.11 Insurance and investment contracts – classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines significant insurance risk as contracts which must have at least one plausible scenario, excluding scenarios that lack commercial substance, in which cash flows are altered by an amount that is significant relative to the fair value of the contract or the premium received for the contract and the contract holder is compensated. The event leading to the change in cash flows may be high incidence but small severity or small incidence but great severity.

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

A number of insurance and investment contracts contain DPF. This feature entitles the holder 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 Company; and
- that are contractually based on:
 - (i) the performance of a specified pool of contracts or a specified type of contract;
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
 - (iii) the profit or loss of the Company, fund or other entity that issues the contract.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.12 Insurance contracts and investment contracts with DPF

(a) Recognition and measurement

The insurance liabilities in respect of long term business are determined by the Company's appointed actuary in accordance with the requirements of the Hong Kong Insurance (Determination of Long Term Liabilities) Rules. At each balance sheet date, the Company assesses its recognised insurance liabilities to determine whether they are adequate, using estimates of future cash flows under its insurance contracts based on the current best estimate assumptions. If the assessment of liability adequacy shows that the carrying amounts of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the statement of profit or loss.

According to section 15 of the Hong Kong Insurance Ordinance, initial acquisition expenses can be capitalised to reduce new business strain, subject to a maximum limit of 1.5 times valuation net premium. This is also limited by the actual initial expenses incurred.

Policy benefits vested in the policy owner (policyholder's bonus) are treated as an expense and any amount payable at the reporting date is included in other liabilities.

Insurance contracts and investment contracts with DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.12 Insurance contracts and investment contracts with DPF - continued

(a) Recognition and measurement - continued

(i) Short-term insurance contracts - continued

For all these contracts, premiums are recognised as revenue. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability which is included in insurance liabilities. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to the statement of profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(ii) Long-term insurance contracts

Insurance contracts with and without DPF include traditional life insurance contracts and the unit-linked contracts that have significant mortality risk. These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liabilities for traditional life contracts are calculated as the difference between the estimated present value of sum assured and any reversionary bonuses and the estimated present value of net premiums.

For unit-linked insurance contracts, insurance premiums are recognised as revenue. Their liabilities reflect changes in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Fees charged for investment management services are recognised as revenue based on the stage of completion of the contracts. Other fees received at the inception of a contract are deferred and recognised on a straight line basis over the expected term of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.12 Insurance contracts and investment contracts with DPF - continued

(a) Recognition and measurement - continued

(iii) Investment contracts with DPF

Insurance premium are recognised directly as revenue. These liabilities are increased by credited interest and are decreased by policy administration fees, surrender charges and any withdrawals.

(b) Embedded derivatives

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

(c) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts as mentioned above are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of amounts due from reinsurers, as well as reinsurance assets that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment at each balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also measured and recognised following the same method used for these financial assets.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.12 Insurance contracts and investment contracts with DPF - continued

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

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also measured and recognised under the same method used for these financial assets.

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(f) Liability adequacy testing

At each end of the reporting period, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are projected to assess if future revenue (income plus release of reserve) is adequate to cover future obligations. Any deficiency will be immediately charged to profit or loss and a reserve will be set up.

3.13 Investment contracts without DPF

Investment contracts without DPF are recognised as financial liabilities on the balance sheet when the Company becomes a party to the contractual obligations.

Investment contracts without DPF are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, derivatives and/or investment property (linked products) and are designated at inception as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.13 Investment contracts without DPF - continued

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the unit values that reflect the fair values of the financial assets contained within the Company's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the balance sheet date.

This product group includes the unit-linked contracts that does not have significant mortality risk.

3.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Board of Directors of the Company.

3.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.15 Current and deferred income tax - continued

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Foreign currency translation

(a) Functional and presentation currency

The financial information is presented in United States dollars, which is the same as the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at fair value through income are reported as part of the fair value gain or loss.

3.17 Employee benefits

(a) Pension obligations

The Company operates a number of defined contribution plans. The schemes are generally funded through payments to separate trustee-administered funds. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.17 Employee benefits - continued

(c) Share-based payments

AXA operates a number of equity-settled, share-based compensation plans, under which the Company receives services from directors and employees as consideration for equity instruments of AXA. The fair value of the directors and employees services received in exchange for the grant of the equity instruments is recognised as an expense being absorbed by an intermediate holding company. The total amount to be recognised as an expense in the intermediate holding company's statement of profit or loss is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

3.18 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

3.19 Share capital

Ordinary shares are classified as equity

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

3.20 Fair value of financial instruments

Financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis. An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. 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. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

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.

3.21 Business combination under common control

Business combinations under common control are accounted for in the financial statements of the Company prospectively from the date the business is acquired. In relation to common control business combination, from the controlling party's perspective no acquisition is deemed to have occurred and there is a continuation of risks and benefits to the controlling party. The consideration transferred in a business combination is measured at fair value. The consideration will include any asset or liability resulting from a contingent consideration arrangement. Asset and liabilities assumed are initially recognised at their carrying amounts, which is equivalent to their existing book values. There is no recognition of goodwill. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

Acquisition-related costs are expensed as incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can always differ from estimates, possibly significantly.

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

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths plus an additional layer of prudence determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality and morbidity being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality and morbidity risk. Details are set out in note 21 to the financial statements.

Valuation mortality and interest rate assumptions

The Company selects its key assumptions and performed sensitivity analysis through a prudent approach and to reflect the actual experience development.

For long-term insurance contracts, prudent mortality assumptions and a valuation interest rate lower than or equal to the regulatory maximum interest rate are used to determine the liabilities. These assumptions are reviewed on an annual basis to ensure the assumptions used still meet regulatory requirements and the liabilities remain adequate.

Impairment of assets

If there is objective evidence that an impairment loss has been incurred on loans and receivables, other assets carried at amortised cost or debt instruments classified as available-for-sale, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by an impairment allowance, which is recognised in the statement of profit or loss. As a practical approach, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Fair value of financial assets/liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques include the use of recent arm's length transactions, net asset value reported to general partners or managers by fund administrators, discounted cash flow analysis / option pricing models, and other valuation techniques commonly used by market participants.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

Insurance and financial risk management objectives and policies

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks, including other market risks, that the Company identifies and the way it manages them.

5.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.1 Insurance risk - continued

(a) Casualty and property insurance risks

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. These include weather, society's sentiment towards claims and increasing court awards for bodily injury compensation.

The Company manages these risks through its underwriting strategy, product design, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Prior to the acceptance of major risk, site visits by in-house assessor and pre-risk surveys will be performed to ensure risks are only accepted within the Company's capacity.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (ie, subrogation). Furthermore, the Company limits employers' liability contracts to a maximum cover of HK\$100 million (about US\$13 million) for employers with less than 200 workers or HK\$200 million (about US\$26 million) for employers with more than 200 workers. For property insurance, underwriters will consider their retention table for different industry so as to avoid accepting risk more than the total capacity under surplus treaties. The present total capacity is HK\$1,070 million (about US\$137 million) via 8.72 lines.

The Company also has in place excess of loss treaties which ensure that any loss exceeding the retention amount will be recoverable from the reinsurers. The prevailing loss retention under the combined excess of loss treaty covering General Liabilities, Motor and Employers' Liabilities is HK\$8 million (about US\$1 million) for each and every loss. Under the Property excess of loss treaties, the loss retention is HK\$6 million (about US\$0.77 million) per risk or HK\$14 million (about US\$2 million) per event. Under the Marine excess of loss treaty, the Company has a loss retention of HK\$2.7 million (about US\$0.35 million). Under the Personal Accident excess of loss treaty, the loss retention is HK\$2.9 million (about US\$0.37 million) per risk.

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The exposure of risk, maximum probable loss and claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Company has reinsurance cover for such damage to limit losses to HK\$6 million (about US\$0.77 million) in any one loss occurrence.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.1 Insurance risk - continued

(a) Casualty and property insurance risks - continued

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on casualty and property contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term.

For casualty risks, claims can be settled over a long period of time and a larger element of the claims provision relates to incurred but not reported ("IBNR") claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and their risk management procedures. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident. For property risks, claims are usually of a much shorter duration and relatively fewer IBNR claims are held at year-end.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the balance sheet date.

(b) Long-term insurance contracts

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, insurance risk can be shared with the contract holder.

For unit-linked business, the Company charges for mortality risk on a monthly basis. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.1 Insurance risk - continued

(b) Long-term insurance contracts - continued

(i) Frequency and severity of claims - continued

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

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, medical selection is included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company also underwrites using geographical, nationality and occupation rating.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

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

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Company over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. A margin of prudence is added to the best estimate mortality rate to derive the final mortality assumption used.

The impact of any historical evidence of selective termination behaviour will be reflected in this experience.

(iii) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. To date, a very small number of the contract holders have exercised this option and hence the Company does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options. As a result of this, the Company estimates the cost of this option to be insignificant under the current economic environment.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.1 Insurance risk - continued

(c) Short-duration life insurance contracts

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors described above. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. Historical data indicates that recession and unemployment in an industry will increase the number of claims for disability benefits as well as reducing the rate of recovery from disability. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy. The amount of disability benefit cover provided per individual is restricted to a maximum of 70% of the individual's monthly income for individual life business. Surplus reinsurance contracts have been purchased by the Company, the retention is HK\$40,000 per month on any one life.

(ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years.

5.2 Financial risk

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

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

The Company manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.2 Financial risk - continued

The Risk Committee of the Company identifies the risk appetite of the Company and assesses the Company's risk exposure regularly. The Company has a Management Investment Committee that determines the investment strategy accordingly. A set of the Company's investment mandate is then distributed to the Company's fund managers, which provides appropriate guidelines with respect to the portfolio they manage. These investment instructions within specify limits for each portfolio with respect to authorised securities (including derivatives), gearing, free liquidity, concentration, currency, duration and credit limits (where applicable). Each fund manager regularly monitors its portfolios against these criteria and reports breaches.

5.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities due to shortage of liquid funds. In particular to the Company, the risk that the Company's financial assets are insufficient to fund the guaranteed benefit payments required under its insurance and investment contracts when they fall due.

The Company manages the liquidity risk by holding sufficient liquid assets such as cash and short-term deposits. The underlying investments backing the liabilities that are traded in an active market and are readily disposed of can also meet the requirement of benefit payments as needed. For the underlying investment backing the liabilities that are not traded in an active market, the Company has the contractual right to proceed to payment upon surrender/settlement when and only when the underlying asset itself is settled.

The following table analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows, except for the insurance and investment contract liabilities which are presented on an expected basis. These contracts typically include policyholder surrenders or transfer options at value equal to, or below, the carrying value of those liabilities. A maturity analysis of insurance contracts prepared on the basis of the earliest possible contractual repayment date (assuming that all surrenders are exercised) would result in the contracts being presented as falling due within one year or less. Asset balances under no stated maturity equal their carrying balances, as the impact of discounting is not significant. Insurance contract liability cash flows greater than five years consist of the maturity payments and the net liability cash flow adjusted for future premiums associated with these policy liabilities including the investment returns and other outgoes on such premium flows.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.3 Liquidity risk – continued

At 31.12.2021

	Carrying value US\$'000	Contractual/ expected cash flows (undiscounted)			
		No stated maturity US\$'000	Less than or equal to one year US\$'000	Greater than one year and less than or equal to five years US\$'000	Greater than five years US\$'000
Insurance and financial assets:					
Investments in subsidiaries	1,122,928	1,122,928	-	-	-
Investments in associates	127,095	127,095	-	-	-
Listed debt securities:					
- Fixed rate	9,140,400	-	788,086	1,889,768	9,663,848
- Floating rate	3,951,133	-	34,450	137,801	3,503,994
Unlisted debt securities:					
- Fixed rate	298,740	-	21,754	175,779	135,998
- Floating rate	2,935	-	32	2,903	-
Listed equity securities	2,917,365	2,917,365	-	-	-
Unlisted unit trust investments	5,112,705	5,112,705	-	-	-
Private companies	149,985	149,985	-	-	-
Loans	172,221	-	172,221	-	-
Direct premiums receivable	305,412	-	305,412	-	-
Debtors, unsecured	130,381	-	130,381	-	-
Reinsurance assets	6,368,207	-	803,357	498,808	8,111,976
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	4,522	-	4,522	-	-
Amount due from an insurer Subsidiary	19,200	-	19,200	-	-
Amount due from the immediate holding company	41,580	-	41,580	-	-
Amounts due from fellow subsidiaries	83	-	83	-	-
Derivative financial instruments:					
- Equity options	24,267	-	23,067	1,199	-
- Asset swap	1,418	-	52,961	211,844	1,211,490
- Interest rate swap	2,538	-	1,965	3,628	162
- Forward interest rate swap	69,013	-	13,678	85,046	379,040
- Bond forward	-	-	-	-	-
- Forward currency contracts	66,803	-	66,803	-	-
- IR swaption	31,588	-	2,344	54,889	471,267
- Credit default swap	2,191	-	2,727	3,094	-
- Cross currency swap	23,535	-	77,129	306,250	245,272
- Equity forward	16,149	-	10,507	5,642	-
Pledged bank deposits	44,802	-	44,802	-	-
Fixed term bank deposits	37,704	-	37,704	-	-
Cash and cash equivalents	715,976	-	715,976	-	-
	<u>30,900,876</u>	<u>9,430,078</u>	<u>3,370,741</u>	<u>3,376,651</u>	<u>23,723,047</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.3 Liquidity risk - continued

At 31.12.2021 - continued

	Carrying value US\$'000	Contractual/ expected cash flows (undiscounted)			
		No stated maturity US\$'000	Less than or equal to one year US\$'000	Greater than one year and less than or equal to five years US\$'000	Greater than five years US\$'000
Insurance and financial liabilities:					
Insurance contract with DPF	14,580,624	-	(1,129,084)	(1,921,628)	37,944,299
Insurance contract without DPF	3,440,031	-	2,640,810	(96,267)	1,713,182
Investment contract with DPF	402,567	-	(13,249)	(47,489)	834,797
Short-term insurance contracts	12,764	-	12,764	-	-
Financial liabilities in investment contracts	1,562,914	-	1,511,558	(35,723)	120,703
Repurchase obligations and debt instruments liabilities	3,303,818	-	1,630,704	1,720,721	-
Creditors and accrued charges	396,853	-	396,853	-	-
Lease Payable	1,528	-	1,309	219	-
Claims payable	234,940	-	234,940	-	-
Commissions payable	130,418	-	130,418	-	-
Policyholders' funds on deposit	428,734	-	428,734	-	-
Dividend payable	1,836,885	-	1,836,885	-	-
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	168,586	-	168,586	-	-
Amounts due to non-insurer subsidiaries	-	-	-	-	-
Amounts due to the ultimate holding company	-	-	-	-	-
Amount due to an intermediate holding company	2,993	-	2,993	-	-
Amounts due to fellow subsidiaries	106,230	-	106,230	-	-
Amount due to a related company	-	-	-	-	-
Derivative financial instruments:-					
- Equity options	12,661	-	12,661	-	-
- Interest rate swap	314	-	43	261	-
- Asset swap	666,831	-	22,626	90,492	1,184,934
- Forward interest rate swap	238,356	-	11,442	122,056	656,551
- Bond forward	-	-	-	-	-
- Forward currency contracts	23,582	-	23,582	-	-
- IR swaption	181	-	13,892	281,672	1,902,398
- Credit default swap	155	-	-	155	-
- Cross currency swap	2,138	-	76,535	301,462	230,306
- Equity forward	10,174	-	-	10,174	-
Current tax payable	3,619	-	3,619	-	-
	<u>27,567,896</u>	<u>-</u>	<u>8,124,851</u>	<u>426,105</u>	<u>44,587,170</u>
Net expected cash inflows/(outflows)		<u>9,430,078</u>	<u>(4,754,110)</u>	<u>2,950,546</u>	<u>(20,864,123)</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.3 Liquidity risk - continued

At 31.12.2020

	Carrying value US\$'000	Contractual/ expected cash flows (undiscounted)			
		No stated maturity US\$'000	Less than or equal to one year US\$'000	Greater than one year and less than or equal to five years US\$'000	Greater than five years US\$'000
Insurance and financial assets:					
Investments in subsidiaries	1,862,998	1,862,998	-	-	-
Investments in associates	78,178	78,178	-	-	-
Listed debt securities:					
- Fixed rate	17,678,805	-	537,341	3,317,002	19,400,672
- Floating rate	3,579,523	-	31,594	126,375	3,286,155
Unlisted debt securities:					
- Fixed rate	223,057	-	12,784	79,370	159,536
- Floating rate	96,001	-	96,258	806	-
Listed equity securities	2,471,270	2,471,270	-	-	-
Unlisted unit trust investments	4,279,779	4,279,779	-	-	-
Private companies	172,029	172,029	-	-	-
Loans	166,359	-	166,359	-	-
Direct premiums receivable	390,442	-	390,442	-	-
Debtors, unsecured	172,111	-	172,111	-	-
Reinsurance assets	1,133,304	-	116,930	55,082	895,295
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	4	-	4	-	-
Amount due from an insurer					
Subsidiary	257,550	-	257,550	-	-
Amount due from the immediate holding company	31,595	-	31,595	-	-
Amounts due from fellow subsidiaries	395	-	395	-	-
Derivative financial instruments:					
- Equity options	19,799	-	992	18,807	-
- Asset swap	-	-	50,965	203,862	1,224,124
- Interest rate swap	6,141	-	4,178	7,835	366
- Forward interest rate swap	75,857	-	19,047	100,459	476,503
- Bond forward	30,371	-	30,371	-	-
- Forward currency contracts	29,540	-	21,034	8,506	-
- IR swaption	8,340	-	-	17,732	123,598
- Credit default swap	907	-	795	1,952	-
- Cross currency swap	25,088	-	50,337	201,346	147,443
- Equity forward	2,345	-	1,086	1,259	-
Pledged bank deposits	44,774	-	44,774	-	-
Fixed term bank deposits	101,024	-	101,024	-	-
Cash and cash equivalents	893,671	-	893,671	-	-
	<u>33,831,257</u>	<u>8,864,254</u>	<u>3,031,637</u>	<u>4,140,393</u>	<u>25,713,692</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.3 Liquidity risk – continued

At 31.12.2020 - continued

	Carrying value US\$'000	Contractual/ expected cash flows (undiscounted)			
		No stated maturity US\$'000	Less than or equal to one year US\$'000	Greater than one year and less than or equal to five years US\$'000	Greater than five years US\$'000
Insurance and financial liabilities:					
Insurance contract with DPF	13,572,067	-	(978,106)	(1,535,751)	33,525,490
Insurance contract without DPF	3,251,906	-	2,408,746	(13,857)	1,798,405
Investment contract with DPF	387,323	-	(7,937)	(48,157)	827,456
Short-term insurance contracts	584	-	584	-	-
Financial liabilities in investment contracts	1,649,246	-	1,599,923	(49,843)	137,047
Repurchase obligations and debt instruments liabilities	7,839,988	-	2,919,589	5,034,058	-
Creditors and accrued charges	494,023	-	494,023	-	-
Lease Payable	196	-	196	-	-
Claims payable	211,710	-	211,710	-	-
Commissions payable	119,713	-	119,713	-	-
Policyholders' funds on deposit	375,957	-	375,957	-	-
Dividend payable	1,772,298	-	1,772,298	-	-
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	56,664	-	56,664	-	-
Amounts due to non-insurer subsidiaries	2,469	-	2,469	-	-
Amounts due to the ultimate holding company	12,444	-	12,444	-	-
Amount due to an intermediate holding company	2,996	-	2,996	-	-
Amounts due to fellow subsidiaries	120,440	-	120,440	-	-
Amount due to a related company	2,011	-	2,011	-	-
Derivative financial instruments:-					
- Equity options	13,039	-	13,039	-	-
- Interest rate swap	56	-	15	42	-
- Asset swap	263,688	-	20,394	81,574	753,804
- Forward interest rate swap	184,720	-	14,181	89,470	283,060
- Bond forward	-	-	-	-	-
- Forward currency contracts	54,378	-	50,844	3,534	-
- IR swaption	474	-	-	3,685	31,725
- Credit cross swap	-	-	47,486	189,945	115,695
- Equity forward	5,530	-	-	5,530	-
Current tax payable	28,543	-	28,543	-	-
	<u>30,422,463</u>	<u>-</u>	<u>9,288,222</u>	<u>3,760,230</u>	<u>37,472,682</u>
Net expected cash inflows/(outflows)		<u>8,864,254</u>	<u>(6,256,585)</u>	<u>380,163</u>	<u>(11,758,990)</u>

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.4 Interest rate risk

(a) Long-term insurance contracts and investment contracts with DPF

Insurance and investment contracts with DPF have benefit payments whose financial component is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable. There are also supplemental benefits payable (which are not guaranteed) to holders of these contracts. These are based on historic and current rates of return on the assets in which the funds are invested, as well as the Company's expectations of future investment returns.

The Company mainly bears financial risk in relation to the guaranteed benefits payable under these contracts. Any interest rate risk in relation to the DPF component liability will be limited for the Company as these are discretionary benefits.

(b) Investment contracts without DPF

For linked contracts, the financial risks are borne by the policyholder. Therefore, the Company does not have any market risk exposure in relation to these contracts.

The Company's primary exposure to financial risk from these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

(c) Short-term insurance contracts

No material interest rate risk exists for short term insurance liabilities, as they are not directly sensitive to the level of market interest rates since they are undiscounted and contractually non-interest-bearing.

(d) Interest rate swap and step up swap

The Company entered into interest rate swap to obtain economic benefit and step up swap, fixed to floating interest, to manage its duration gap.

(e) Investment portfolio

The Company is exposed to interest rate risk on the investment portfolio because any changes in interest rates would affect the value of fixed interest debt investments carried at fair value and which may differ from corresponding changes, if any, in the value of the liabilities. The company mitigates interest rate risk through its asset liability management process.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.5 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance contract holders,
- amounts due from insurance intermediaries,
- investments in debt securities,
- counterparty risk with respect to derivative transactions, and
- bank balances.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk are subject to approval from the Local Management Investment Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract and to ensure ongoing creditworthiness of the reinsurer.

Management manages credit risks on bank balances by using banks with good credit qualities.

The maximum credit risk for financial assets recognised on the balance sheet is the carrying amount less, where applicable, any provision for doubtful debts.

(i) Analysis of underlying credit exposure:

	Issue Credit ratings per Standard & Poor's and Fitch							Total US\$'000
	AAA US\$'000	AA+ to AA- US\$'000	A+ to A- US\$'000	BBB+ to BBB- US\$'000	BB+ to BB- US\$'000	B+ to B- or below US\$'000	Not rated US\$'000	
As at 31 December 2021:								
Debt securities	6,188,388	1,371,420	2,631,991	2,913,162	121,241	62,208	104,798	13,393,208
Other financial assets and reinsurance assets	-	70,756	4,782,926	-	-	-	2,425,427	7,279,109
Total assets bearing credit risk	6,188,388	1,442,176	7,414,917	2,913,162	121,241	62,208	2,530,225	20,672,317
As at 31 December 2020:								
Debt securities	11,356,256	969,611	4,312,617	3,910,382	83,738	28,471	916,310	21,577,385
Other financial assets and reinsurance assets	-	107,096	-	-	-	-	2,243,052	2,350,148
Total assets bearing credit risk	11,356,256	1,076,707	4,312,617	3,910,382	83,738	28,471	3,159,362	23,927,533

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.5 Credit risk - continued

(ii) Collateral

The below table shows the fair value of assets the financial assets pledged to secure the liabilities and the fair value of collateral received.

	<u>At 31.12.2021</u> US\$'000	<u>At 31.12.2020</u> US\$'000
Under repurchase agreement:		
- Loan value	178,050	637,080
- Securities Margin	15,562	25,377
Under total return swap		
- Loan value	3,113,261	7,155,285
- Cash Margin	(142,174)	(148,169)
- Securities Margin	38,299	(280,934)
Cash for derivative		
- Collar	(7,691)	5,719
- Forward currency contracts	(33,285)	13,946
- Interest rate swap	2,584	7,025
- Assets swap	29,811	(12,147)
- Forward interest rate swap	(2,484)	(41,015)
- Bond forward	-	(31,414)
- Swaption	(21,735)	(241)
- Equity forward	(9,640)	(708)
- Cross currency swap	(19,186)	(9,937)
- Credit default swap	(37)	-
Securities for derivative		
- Collar	(5,471)	(12,260)
- Forward currency contracts	(13,305)	4,499
- Interest rate swap	(996)	(10,459)
- Forward interest rate swap	193,056	158,117
- Assets swap	705,456	229,441
- Credit default swap	(2,347)	(877)
- Swaption	16,290	(8,186)
- Equity forward	4,470	3,681
- Cross currency swap	30,381	(2,209)

5.6 Price risk

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done accordance with the limits set by the Company.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.7 Currency risk

The Company monitors overall currency exposure and decides on hedging implementations within the constraints of the mandates. Foreign currency exposure, arising from assets, liabilities and derivatives is monitored regularly and hedged when deemed appropriate and to the extent practicable.

The Company operates in Hong Kong and issues Hong Kong dollar and United States dollar denominated policies. The Company's policy is to generally invest in assets denominated in the same currencies and / or assets in foreign currencies hedged back to the currencies of the insurance liabilities, which mitigate the Company's foreign currency exchange rate risk. As at 31 December 2021, the majority of the Company's assets are denominated in United States dollars and Hong Kong dollars. Since the Hong Kong dollars are currently pegged to the United States dollars, the impact of exchange rate fluctuation is insignificant to the results of the Company.

Within the constraints of the investment mandates, the Company hedge its foreign currency exchange rate risk using foreign exchange forward contracts in order to mitigate the impact of fluctuations in fair value of the investments as a result of changes in foreign exchange rates.

The following table analyses the Company's insurance and financial liabilities and the financial assets backing these liabilities into relevant currency groupings based on the currency in which these insurance and financial liabilities and financial assets are denominated. The financial assets in the following table include amounts recoverable from reinsurers. Where the value of the insurance and financial liabilities are linked to the value of its backing assets and the currency risk is not borne by the Company, these insurance and financial liabilities and their backing assets are not included in the analysis. The value of the insurance and financial liabilities that are linked to the value of its backing assets amounted to US\$3,887,401,064 (2020: US\$3,721,769,802).

At 31 December 2021

	HK Dollars	US Dollars	Other currencies	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets	2,653,426	22,055,746	2,304,303	27,013,475
Insurance and financial liabilities	(6,446,669)	(16,759,926)	(473,900)	(23,680,495)
Net on-balance sheet position	(3,793,243)	5,295,820	1,830,403	3,332,980
Off-balance sheet net notional position*	1,565,196	(452,357)	(1,069,618)	43,221
	(2,228,047)	4,843,463	760,785	3,376,201

At 31 December 2020

	HK Dollars	US Dollars	Other currencies	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets	2,708,716	25,731,973	1,668,798	30,109,487
Insurance and financial liabilities	(6,127,736)	(20,228,616)	(344,341)	(26,700,693)
Net on-balance sheet position	(3,419,020)	5,503,357	1,324,457	3,408,794
Off-balance sheet net notional position*	2,898,242	(2,392,048)	(531,031)	(24,837)
	(520,778)	3,111,309	793,426	3,383,957

*Off- balance sheet net notional position represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Company's exposure to currency movements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.8 Sensitivity analysis

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced to inform the Company's decision making and planning process.

Some results of sensitivity testing for long-term business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
(i) Interest rate and investment return	The impact of a change in market interest rates by 0.5% (e.g. current interest rate is 5%, the impact of an immediate change to 4.5% and 5.5%). The test allows consistently for similar changes to (i) investment returns; (ii) movements in the market value of fixed interest securities; and (iii) insurance and investment liabilities.
(ii) Equity market values	The impact of a change in equity market values by 5%
(iii) Worsening of mortality	The impact of a change in mortality assumption by 10% (e.g. current mortality rate is 5%, the impact of an immediate change to 5.5%).
(iv) Worsening of morbidity	The impact of a change in morbidity assumption by 10% (e.g. current morbidity rate is 5%, the impact of an immediate change to 5.5%).

The following tables disclose details of the sensitivities for the relevant period:

	Impact on profit after tax increase/(decrease)			
	Year ended 31.12.2021		Year ended 31.12.2020	
	in profit or loss US\$'000	in shareholders' equity US\$'000	in profit or loss US\$'000	in shareholders' equity US\$'000
Assumed future return on debt securities + 0.5%	(131,004)	-	(468,779)	-
Assumed future return on debt securities - 0.5%	(467,993)	-	(966,269)	-
Assumed future equity securities return rate + 5%	233,226	-	147,881	-
Assumed future equity securities return rate - 5%	(238,538)	-	(147,144)	-
Assumed mortality assumption +10%	(38,982)	-	(94,108)	-
Assumed morbidity assumption +10%	(132,911)	-	(108,453)	-

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.9 Capital management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern and to comply with capital requirements specified in the Insurance Ordinance, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

Consistent with other entities in the industry, the Company and the parent entity monitor capital on the basis of the solvency ratio. This ratio is calculated as total capital and surplus divided by minimum solvency margin.

	<u>At 31.12.2021</u> US\$'000	<u>At 31.12.2020</u> US\$'000
Capital and surplus (including unassigned surplus)	3,355,616	3,422,099
Minimum solvency margin	690,724	740,367
Solvency ratio	486%	462%

The solvency ratio is 486% (2020: 462%) which is above the regulatory requirement of 100%.

Investigations have been carried out into the extent of adequacy of assets to cover liabilities valued under different investment conditions. The test is done on an individual entity basis and US\$523,047,763 (2020: US\$464,729,592) of resilience reserve is held in the Company.

The Company is licensed by the Bermuda Monetary Authority (BMA) as a Class E long term insurer and is subject to the Insurance Act 1978 and related regulations.

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY

6.1 Fair value hierarchy

The table analyses the financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. quoted prices in active markets for similar financial instruments, quoted prices in not active markets for identical or similar financial instruments), or indirectly (i.e. valuation techniques in which all significant inputs are based on observable market data)
- Level 3 (lowest level): fair values measured using valuation techniques in which the inputs are not based on observable market data

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.1 Fair value hierarchy - continued

The carrying value of financial instruments measured at fair value at the balance sheet date across the above three levels of the fair value measurements hierarchy is presented in the following tables:

At 31.12.2021	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Recurring fair value measurement				
ASSETS				
Investment in subsidiaries				
-unlisted unit trusts	797,109	68,305	-	865,414
Investment in associates				
-unlisted unit trusts	4,802	122,293	-	127,095
Financial assets at fair value through profit or loss:				
Listed debt securities				
- Fixed rate	5,203,347	3,702,450	-	8,905,797
- Floating rate	3,023,552	927,581	-	3,951,133
Unlisted debt securities				
- Fixed rate	4,408	294,332	-	298,740
- Floating rate	-	2,935	-	2,935
Listed equity securities	2,529,178	388,187	-	2,917,365
Unlisted unit trust investments and others	3,347,721	850,026	914,958	5,112,705
Private companies	-	-	149,985	149,985
Available-for-sale financial assets:				
Listed debt securities				
- Fixed rate	234,603	-	-	234,603
	<u>15,144,720</u>	<u>6,356,109</u>	<u>1,064,943</u>	<u>22,565,772</u>
Derivative financial instruments:				
-Forward currency option	66,803	-	-	66,803
-Equity options	-	24,267	-	24,267
-Cross currency swap	-	23,535	-	23,535
-Interest rate swap	-	2,538	-	2,538
-Forward interest rate swap	-	69,013	-	69,013
-Asset swap	-	1,418	-	1,418
-Credit default swap	2,191	-	-	2,191
-IR swaption	-	31,588	-	31,588
-Equity forward	-	16,149	-	16,149
	<u>68,994</u>	<u>168,508</u>	<u>-</u>	<u>237,502</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.1 Fair value hierarchy - continued

At 31.12.2021	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Recurring fair value measurement				
LIABILITIES				
Financial liabilities				
-investment contracts	1,174,724	7,328	380,862	1,562,914
Derivative financial instruments:				
-Forward currency option	23,582	-	-	23,582
-Equity options	-	12,661	-	12,661
-Asset swap	-	666,831	-	666,831
-Interest rate swap	-	314	-	314
-Forward interest rate swap	-	238,356	-	238,356
-IR swaption	-	181	-	181
-Credit default swap	155	-	-	155
-Equity forward	-	10,174	-	10,174
-Cross currency swap	-	2,138	-	2,138
	<u>1,198,461</u>	<u>937,983</u>	<u>380,862</u>	<u>2,517,306</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.1 Fair value hierarchy - continued

At 31.12.2020	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Recurring fair value measurement				
ASSETS				
Investment in subsidiaries				
-unlisted unit trusts	958,068	577,686	68,281	1,604,035
Investment in associates				
-unlisted unit trusts	9,381	68,797	-	78,178
Financial assets at fair value through profit or loss:				
Listed debt securities				
- Fixed rate	10,912,617	6,514,506	-	17,427,123
- Floating rate	2,767,366	812,157	-	3,579,523
Unlisted debt securities				
- Fixed rate	4,061	218,996	-	223,057
- Floating rate	-	96,001	-	96,001
Listed equity securities	1,940,528	530,742	-	2,471,270
Unlisted unit trust investments and others	3,038,362	656,935	584,482	4,279,779
Private companies	-	-	172,029	172,029
Available-for-sale financial assets:				
Listed debt securities				
- Fixed rate	251,682	-	-	251,682
	<u>19,882,065</u>	<u>9,475,820</u>	<u>824,792</u>	<u>30,182,677</u>
Derivative financial instruments:				
-Forward currency option	29,540	-	-	29,540
-Equity options	-	19,799	-	19,799
-Cross currency swap	-	25,088	-	25,088
-Interest rate swap	-	6,141	-	6,141
-Forward interest rate swap	-	75,857	-	75,857
-Bond forward	30,371	-	-	30,371
-Credit default swap	907	-	-	907
-IR swaption	-	8,340	-	8,340
-Equity forward	2,345	-	-	2,345
	<u>63,163</u>	<u>135,225</u>	<u>-</u>	<u>198,388</u>
LIABILITIES				
Financial liabilities				
-investment contracts	1,229,432	9,954	409,860	1,649,246
Derivative financial instruments:				
-Forward currency options	54,378	-	-	54,378
-Equity options	-	13,039	-	13,039
-Asset swap	-	263,688	-	263,688
-Interest rate swap	-	56	-	56
-Forward interest rate swap	-	184,720	-	184,720
-IR swaption	-	474	-	474
- Equity forward	5,530	-	-	5,530
	<u>1,289,340</u>	<u>471,931</u>	<u>409,860</u>	<u>2,171,131</u>

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.1 Fair value hierarchy – continued

As at 31 December 2021, there were US\$1,440,500,908 (2020: US\$353,165,773) transfers from Level 2 to Level 1 due to the market for identical bonds becoming active. There were US\$206,990,174 (2020: US\$1,383,564,898) transfers from Level 1 to Level 2 due to the market for identical bonds becoming inactive. The company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur or change in circumstances that caused the transfer.

6.2 Financial instrument in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

6.3 Financial instrument in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Fair value is derived from the model based on current market parameters such as observable yield curve.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.4 Financial instrument in Level 3

<u>Description</u>	Fair value as at 31.12.2021 US\$'000	Fair value as at 31.12.2020 US\$'000	Valuation technique(s)
Unlisted unit trust investments and others:			
Unlisted unit trust	914,958	652,763	Net asset value
Private companies	149,985	172,029	Net asset value

The Company has determined that (1) the reported net asset value represents fair value of unlisted unit trust investments (2) the company's net asset value represent fair value of private companies at the end of the reporting period, given the different nature of valuation in respect of each unit trust and private company, it is not practicable to quote a range of key unobservable inputs.

As certain unlisted unit trust investments are backing the unit linked contracts, any change to the fair valuation of these investments is retained by the policyholder. The valuation policies and procedures for the funds are established by the fund managers or fund administrators based on the framework disclosed in the prospectus. Prospectuses for each unit trust investment is obtained from the fund managers and reviewed by management for appropriateness of fair valuation against the Company's accounting policies. Upon execution of a recent transaction, the fair value of the transaction is utilised to validate the fair valuation of the net asset value statement obtained from the fund manager. Discussions with the fund managers are held on a periodic basis to go over the high level performance of the fund to analyse changes in fair value measurements from period to period. In case of a year end valuation not being available, the Company has carried out certain additional procedures to assess a relevant fair valuation as at 31 December 2021.

For unlisted non-linked unit trust investments, valuation process controls are obtained from fund managers or fund administrators. Discussion of valuation processes and results are held between fund managers and investment team at least once every quarter. In the meeting, fund managers go over major transactions or highlights of the past period and the potential investments. Investment performance are also presented and communicated with the members of the management investment committee at regular meetings.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.4 Financial instrument in Level 3 – continued

The reconciliation from beginning to ending balance for the assets and liabilities that are classified as Level 3 is presented as follows:

<u>Financial assets</u>	Financial assets at fair value through profit or loss US\$'000
At 1 January 2020	876,839
Payment for purchases	134,337
Proceeds from sales	(145,070)
Transfer into level 3 during the year	397
Transfer from level 3 to level 1 / level 2 during the year	(6,999)
Net total (losses) for the period recognised in profit or losses	
- Included in net realised and unrealised losses on investments	(34,712)
At 31 December 2020	824,792
Payment for purchases	391,002
Proceeds from sales	(180,716)
Transfer into level 3 during the year	143
Transfer from level 3 to level 1 / level 2 during the year	(97,732)
Net total gains for the period recognised in profit or losses	
- Included in net realised and unrealised gains on investments	127,454
At 31 December 2021	1,064,943
Change in unrealised losses for 2021 recognised in profit or losses	
- Included in net realised and unrealised losses on investments	127,454

As at 31 December 2021, there was US\$97,731,620 transfer from level 3 to level 1 / level 2 and US\$142,890 transfer into level 3 (2020: US\$6,999,248 transfer from level 3 to level 1 / level 2 and US\$397,435 transfer into level 3) because the change of valuation techniques.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY – continued

6.4 Financial instrument in Level 3 – continued

<u>Financial liabilities</u>	Financial liabilities at fair value through profit or loss US\$'000
At 1 January 2020	524,441
Net movement in investment contract liabilities from contributions and releases	(114,581)
At 31 December 2020	409,860
Net movement in investment contract liabilities from contributions and releases	(28,998)
At 31 December 2021	380,862

7. INSURANCE PREMIUM REVENUE

Insurance premium revenue represents gross insurance premiums written from direct and reinsurance accepted businesses as follows:

	Gross Premium	Reinsurance Premium Accepted	Reinsurance Premium Ceded	Net Insurance Premium Revenue
	US\$	US\$	US\$	US\$
<u>Year ended 31.12.2021</u>				
Long term business	3,368,263,438	19,621,518	(683,418,312)	2,704,466,644
General business	37,923,893	49,863,440	(49,244)	87,738,089
	<u>3,406,187,331</u>	<u>69,484,958</u>	<u>(683,467,556)</u>	<u>2,792,204,733</u>
<u>Year ended 31.12.2020</u>				
Long term business	2,955,447,614	23,538,742	(283,224,790)	2,695,761,566
General business	38,507,723	5,587,424	(294,693)	43,800,454
	<u>2,993,955,337</u>	<u>29,126,166</u>	<u>(283,519,483)</u>	<u>2,739,562,020</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. INVESTMENT INCOME AND NET REALISED AND UNREALISED (LOSSES)/GAINS ON INVESTMENTS

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
Investment income		
Interest income on debt securities	397,778,403	463,347,620
Interest income on bank deposits	2,793,460	3,559,766
Interest income on policy loans	15,839,337	14,582,268
Other interest income	1,337,877	2,407,418
Exchange (losses)/gains	(26,099,482)	8,667,857
Total interest income	391,649,595	492,564,929
Dividend from equity securities	195,461,875	127,812,822
Other investment income	177,767,357	107,972,006
Total investment income	764,878,827	728,349,757
Net realised gains		
Financial assets designed at fair value through profit or loss	1,242,185,647	159,312,486
Derivative financial instruments	(237,605,388)	7,123,460
	1,004,580,259	166,435,946
Net unrealised (losses)/gains		
Financial assets designed at fair value through profit or loss	(1,720,054,055)	2,305,929,406
Derivative financial instruments	(389,695,025)	(344,749,383)
	(2,109,749,080)	1,961,180,023
Total net realised and unrealised (losses)/gains on investments	(1,105,168,821)	2,127,615,969
TOTAL	(340,289,994)	2,855,965,726

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. PROFIT BEFORE TAXATION

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	1,271,976	1,212,581
Directors' remuneration	46,328	35,797
Depreciation of plant and equipment	302,665	382,523
Depreciation of right-of-use assets	1,219,009	1,058,884
Amortisation of intangible assets	14,776,805	5,794,112
Staff costs (note)	-	-
Pension costs – defined contribution plans (note)	-	-
and after crediting:		
Interest income on debt securities		
- listed	395,935,297	459,509,941
- unlisted	1,843,106	3,837,679
Dividend income		
- listed	88,501,171	44,382,459
- unlisted	106,960,704	83,430,363
Interest income on policy loans	15,839,337	14,582,268
Interest income on bank deposits	2,793,460	3,559,766
Interest income from the immediate holding company	1,130,912	2,032,445
Other interest income	206,965	374,973
Exchange (losses)/gains	(141,040,295)	98,005,256

Note: Staff costs and pension costs for the current and prior year were borne and recharged to the Company by an insurer subsidiary. The directors received unapportioned remuneration of US\$1,133,713 (2020: US\$1,187,695) from the Company's holding companies, fellow subsidiaries, associates or any other company for the directors' services to certain companies in the AXA China Region Group. Aggregated and unapportioned amount of top three highest-paid directors' emoluments is US\$1,133,713 (2020: US\$1,187,695). Estimated money value of benefits other than cash within directors' emoluments include medical premium, group life premium, staff share options, performance units and child education benefits.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. TAXATION

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
The charge comprises:		
Current tax:		
Hong Kong Profits Tax		
- Current tax on profits for the year	22,995,572	22,423,576
- Adjustments in respect of prior years	(461,406)	-
Overseas		
- Current tax on profits for the year	-	-
- Overseas withholding tax	15,541,949	7,887,537
Total current tax	38,076,115	30,311,113
Deferred taxation (note 19):		
Origination and reversal of temporary differences	1,456,697	1,910,223
Adjustments in respect of prior years	(3,953)	19,172
Total deferred tax	1,452,744	1,929,395
Taxation	39,528,859	32,240,508

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. TAXATION - continued

The tax charge for the year can be reconciled to the profit before taxation per the statement of profit or loss as follows:

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
(Loss)/profit before taxation	(19,525,872)	1,177,469,146
Adjustments:		
Profit from long term life business (note)	38,451,933	(1,166,507,631)
(Loss)/profit before tax for overseas branch included in profit from long term life business	(883,606)	11,153,288
Adjusted profit before tax	18,042,455	22,114,803
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	2,977,005	3,648,942
Tax on life insurance business in Hong Kong (note)	20,791,577	21,704,536
Tax effect of non-taxable income	-	(482,095)
Tax effect of non-deductible expenses	1,185,968	200,365
Effect of different tax rate of the branch operating in other jurisdictions	(546,261)	(716,334)
Over/(under) provision of tax in prior years	(465,359)	19,172
Difference in accounting standards	43,980	(21,615)
Overseas withholding tax	15,541,949	7,887,537
Taxation	39,528,859	32,240,508

Note: Under the Hong Kong Inland Revenue Ordinance, assessable profits from the business of life insurance are deemed to be 5 percent of net premium income for the year.

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Overseas taxation is calculated at the rate prevailing in the respective jurisdiction.

11. DIVIDENDS

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
Ordinary shares		
Final paid – US\$Nil (2020: US\$Nil) per share	-	-
	-	-

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. INTANGIBLE ASSETS

	Career and production bonus	Deferred commission	Total
	US\$	US\$	US\$
COST			
At 1 January 2020	843,519	3,058,946	3,902,465
Exchange difference	4,126	14,964	19,090
Additions	190,098	5,807,839	5,997,937
Disposal	-	(3,073,911)	(3,073,911)
At 31 December 2020	1,037,743	5,807,838	6,845,581
Exchange difference	(5,647)	(31,605)	(37,252)
Additions	-	14,705,427	14,705,427
Disposal	-	(5,776,233)	(5,776,233)
At 31 December 2021	1,032,096	14,705,427	15,737,523
AMORTISATION			
At 1 January 2020	807,479	3,038,245	3,845,724
Exchange difference	3,949	14,863	18,812
Charged for the year	79,806	5,714,306	5,794,112
Eliminated on disposals	-	(3,073,911)	(3,073,911)
At 31 December 2020	891,234	5,693,503	6,584,737
Exchange difference	(4,850)	(30,984)	(35,834)
Charged for the year	48,156	14,728,649	14,776,805
Eliminated on disposals	-	(5,776,233)	(5,776,233)
At 31 December 2021	934,540	14,614,935	15,549,475
NET BOOK VALUES			
At 31 December 2021	97,556	90,492	188,048
At 31 December 2020	146,509	114,335	260,844

Career bonus and production bonus are offered under an “Experience Hire Program” by the Company starting from 2009. The bonuses are then amortised on a straight line basis over 48 to 62 months.

Both career bonus and production bonus net of accumulated amortisation is subjected to an annual impairment assessment.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. PLANT AND EQUIPMENT

	Leasehold improvements US\$	Furniture, fixtures and equipment US\$	Total US\$
COST			
At 1 January 2020	8,054,040	8,021,817	16,075,857
Exchange difference	15,790	2,680	18,470
Additions	-	63,185	63,185
At 31 December 2020	8,069,830	8,087,682	16,157,512
Exchange difference	(17,650)	(3,339)	(20,989)
Additions	-	1,903	1,903
At 31 December 2021	8,052,180	8,086,246	16,138,426
DEPRECIATION			
At 1 January 2020	5,759,450	7,633,717	13,393,167
Exchange difference	4,565	781	5,346
Provided for the year-additions	308,302	74,221	382,523
At 31 December 2020	6,072,317	7,708,719	13,781,036
Exchange difference	(6,780)	(1,277)	(8,057)
Provided for the year-additions	250,582	52,083	302,665
At 31 December 2021	6,316,119	7,759,525	14,075,644
NET BOOK VALUE			
At 31 December 2021	1,736,061	326,721	2,062,782
At 31 December 2020	1,997,513	378,963	2,376,476

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. LEASES

(a) Amounts recognised in the balance sheet

The Balance Sheet shows the following amounts relating to leases:

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Right-of-use assets		
Buildings	1,453,854	170,694
Lease payable		
Current	1,308,954	196,108
Non-current	218,925	-
	<u>1,527,879</u>	<u>196,108</u>

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	<u>Year ended</u> <u>31.12.2021</u> US\$	<u>Year ended</u> <u>31.12.2020</u> US\$
Depreciation charge of right-of-use assets		
Buildings	<u>(1,219,009)</u>	<u>(1,058,884)</u>
Interest expense (included in finance cost)	<u>(10,910)</u>	<u>(20,312)</u>

The total cash outflow for leases in 2021 was US\$1,181,169 (2020: US\$1,079,883).

(c) The Company's leasing activities and how these accounted for

The Company leases various offices. Rental contracts are typically made for fixed period of 24 months.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15. INVESTMENTS IN SUBSIDIARIES

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Unlisted shares, at cost	257,513,368	258,962,884
Accumulated impairment loss	-	-
	<u>257,513,368</u>	<u>258,962,884</u>
Unlisted unit trusts, at fair value	865,414,380	1,604,034,667
	<u>1,122,927,748</u>	<u>1,862,997,551</u>

Details of the subsidiaries as at 31 December 2021 are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Class of shares held</u>	<u>Proportion of nominal value of issued capital held by the Company</u>		<u>Number of shares held</u>	<u>Number of issued shares</u>	<u>Principal activities</u>
			Directly	Indirectly			
AXA China Region Insurance Company Limited	Hong Kong	Ordinary	100%	-	19,940,000 ordinary	19,940,000 ordinary	Insurance underwriter

The subsidiary, AXA Financial Services Trustees Limited of the Company, a limited company incorporated in Hong Kong which no activity during the year was dissolved on 9 May 2021. There was no disposal gain or loss on voluntary liquidation were recognised during the year.

The subsidiary, AXA Partners Limited of the Company, a limited company incorporated in Hong Kong which no activity during the year was dissolved on 9 May 2021. The gain on voluntary liquidation were recognized during the year of US\$177,092.

The subsidiary, AXA China Region Investment Services Limited of the Company, a limited company incorporated in Hong Kong which no activity during the year was dissolved on 5 October 2021. The gain on voluntary liquidation were recognized during the year of US\$749,806.

<u>Name of unit trusts</u>	<u>Place of incorporation</u>	<u>Class of shares held</u>	<u>Percentage of units held (directly)</u>	<u>Number of units held</u>	<u>Number of units in issue</u>	<u>Principal activities</u>
Negative Basis Trades Fund	France	Class "A"	78.46%	398,229	507,581	Unit trust
AXA Unit Trusts - Asia Multi-Factor Advantage Fund	Hong Kong	Class "A"	99.51%	1,819,191	1,828,156	Unit trust
AXA China Leveraged Loans Fund	France	Ordinary	81.05%	56,896	70,199	Unit trust

The financial statements of the subsidiaries have not been consolidated as the Company is a subsidiary of AXA, which is incorporated in France and prepares consolidated financial statements available for public use which comply with International Financial Reporting Standards. These financial statements are obtainable at www.axa.com.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENTS IN ASSOCIATES

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Unlisted unit trust, at fair value	<u>127,094,620</u>	<u>78,177,678</u>

Particulars of the Company's associates as at 31 December 2021 are as follows:

<u>Name of unit trust</u>	<u>Place of incorporation</u>	<u>Class of shares held</u>	<u>Percentage of units held (directly)</u>	<u>Number of units held</u>	<u>Number of units in issue</u>	<u>Principal activities</u>
Australian Hotels Real Estate Fund	Australia	NA	35.00%	70	200	Unit trust
AXA SICAV I Emerging Market Debt	Luxembourg	Class "SID"	20.00%	38,230,920	191,154,598	Unit trust
Roppongi Real Estate Fund	Japan	NA	24.00%	38,736	161,400	Unit trust
Moorebank Logistics Park	Australia	NA	20.00%	2,000	10,000	Unit trust

The investment in associates are not accounted for using the equity method as the ultimate holding company, AXA, prepares consolidated financial statements available for public use which comply with the International Financial Reporting Standards. These financial statements are obtainable at www.axa.com.

Key financial information of the Company's associates are provided as follows:

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Net assets	<u>185,032,778</u>	<u>212,464,137</u>
	<u>Year ended</u> <u>31.12.2021</u> US\$	<u>Year ended</u> <u>31.12.2020</u> US\$
Profit/(loss) for the year	<u>22,892,114</u>	<u>(32,553,619)</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. INVESTMENTS IN SECURITIES

- (a) The Company manages certain investment portfolios on behalf of its group entities. Please refer to note 30 for details. The following represents the Company's own share in the investment portfolios.

	Fair value through profit or loss	
	At 31.12.2021	At 31.12.2020
	US\$	US\$
Fixed interest debt investments		
Government		
- listed	3,861,179,775	9,222,172,896
- unlisted	10,567,733	11,547,921
Others		
- listed	5,044,617,777	8,204,950,155
- unlisted	288,173,397	211,509,279
Floating interest debt investments		
Others		
- listed	3,951,132,846	3,579,522,748
- unlisted	2,934,566	96,000,765
Other investments		
Listed equity shares	2,917,364,528	2,471,270,307
Unlisted unit trust investments	5,112,704,629	4,279,778,559
Private companies	149,985,096	172,029,230
	<u>21,338,660,347</u>	<u>28,248,781,860</u>
Total		
- listed	15,774,294,926	23,477,916,106
- unlisted	5,564,365,421	4,770,865,754
	<u>21,338,660,347</u>	<u>28,248,781,860</u>
Analysed as:		
Current assets	538,579,446	92,621,927
Non-current assets	20,800,080,901	28,156,159,933
	Available-for-sale	
	At 31.12.2021	At 31.12.2020
	US\$	US\$
Fixed interest debt investments		
Government		
- listed	234,602,855	251,681,779
	<u>234,602,855</u>	<u>251,681,779</u>
Analysed as:		
Current assets	-	-
Non-current assets	234,602,855	251,681,779
	<u>234,602,855</u>	<u>251,681,779</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. INVESTMENTS IN SECURITIES - continued

(b) Interests in Structured Entities

In accordance with HKFRS 12 “Disclosure of Interests in Other Entities”, a structured entity (“SE”) 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 directed by means of contractual arrangements.

In assessing the significance of a SE for disclosure purposes, the Company considers the nature of the Company’s relationship with the SEs including whether they are sponsored by the Company. In addition, the significance of the relationship with the SE to the Company is assessed including consideration of factors such as the Company’s investment in the SE as a percentage of the Company’s total assets, the Company’s aggregate investment return from the SE as a percentage of the Company’s total revenue and the Company’s exposure to any other risks from its involvement with the SE.

The Company has investment relationships with a variety of unlisted unit trusts and other entities (“Other Entities”), which result from its direct investment in their debt or equity and which have been assessed for control. This category includes, but is not limited to investments in money market fund, fixed income fund, equity fund, balance fund, power and infrastructure, private equity and real estate, organised as limited partnerships and limited liability companies. These Other Entities are not sponsored by the Company. The Company’s maximum exposure to losses as a result of its relationships with Other Entities is limited to its investment and amounts committed to be invested but not yet funded. The income that the Company generates from these Other Entities is recorded in investment income and net realised and unrealised gains/ (losses) on investments. The Company provides no guarantees to other investors in these Other Entities against the risk of financial loss.

For those Other Entities backing unit linked contracts, the Company retains legal title, however, returns from these are attributable to policy holders of the unit linked contracts. This category includes, but is not limited to investments in money market fund, fixed income fund, equity fund and balance fund. The Company does not bear the risk associated with these assets.

(c) Effect of Inter-bank offered rate (IBOR) reform

The HKICPA made amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform Phase 2 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. These amendments have been adopted from the first time for the year ended 31 December 2021 and have no material impact to the Company. The Company currently holds a number of financial instrument contracts which reference Euro Interbank Offered Rate (“EURIBOR”), USD London Interbank Offered Rate (“LIBOR”) that extend beyond 2021 (collectively “Original Benchmark Interest Rates”) and have not yet transitioned to replacement benchmark interest rates.

The Company monitors the exposure to instruments subject to such reform and is in the process of implementing changes to systems, processes, risk management procedures and valuation models that may arise as a consequence of the reform. Such reform has no impact on the Company’s risk management strategy. Risks arising from instruments that are subject to such transition are not considered significant.

While the impact of IBOR reform on profit or loss and other comprehensive income is not considered significant to Company, the following table contains the carrying value of relevant financial instruments that the Company holds as at 31 December 2021.

	Carrying value as at 31 December 2021 and have yet to transition to a replacement benchmark interest rate		
	EURIBOR US\$	USD LIBOR US\$	Total US\$
Non-derivative financial assets	277,795,746	791,490,617	1,069,286,363
Net derivative financial assets	-	(108,345,032)	(108,345,032)

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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18. LOANS

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Policy loans	172,214,959	166,342,532
Other unsecured loans	<u>5,572</u>	<u>16,772</u>
	<u>172,220,531</u>	<u>166,359,304</u>
Current	172,220,531	166,359,304
Non-current	<u>-</u>	<u>-</u>

The policy loans are charged at a rate as recommended by the Appointed Actuary based on the market interest rate. The interest rate is 8% per annum (2020: 8% per annum). The secured loans bear an interest at market rate. The unsecured loans are interest free.

The directors consider that the fair value of the loans approximately equals to the corresponding carrying value.

19. DEFERRED TAXATION

The movement in deferred tax (liabilities)/assets during the year is as follows:

	<u>Unrealised investment gains/losses</u> US\$	<u>Tax losses</u> US\$	<u>Deferred origination costs</u> US\$
At 1 January 2020	522,275	-	-
(Charge)/credit for the year (note 10)	(11,071,155)	9,160,932	-
Exchange difference	<u>2,555</u>	<u>-</u>	<u>-</u>
At 31 December 2020	(10,546,325)	9,160,932	-
Credit/(charge) for the year (note 10)	3,682,004	(5,126,927)	-
Exchange difference	<u>57,391</u>	<u>(49,852)</u>	<u>-</u>
At 31 December 2021	<u>(6,806,930)</u>	<u>3,984,153</u>	<u>-</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. DEFERRED TAXATION - continued

	Accelerated tax depreciation US\$	Provisions US\$	Total US\$
At 1 January 2020	24,114	1,844	548,233
(Charge)/credit for the year (note 10)	(19,172)	-	(1,929,395)
Exchange difference	117	9	2,681
At 31 December 2020	5,059	1,853	(1,378,481)
(Charge)/credit for the year (note 10)	(22,798)	14,977	(1,452,744)
Exchange difference	(28)	(10)	7,501
At 31 December 2021	(17,767)	16,820	(2,823,724)

20. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$1 each:		
Authorised:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>244,000,000</u>	<u>244,000,000</u>
Issued and fully paid:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>175,782,800</u>	<u>175,782,800</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS

Insurance liabilities and reinsurance assets

	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Gross:		
Short-term insurance contracts		
- unearned premiums	12,763,942	584,216
- unexpired risk provision	29	29
Life insurance contracts		
- with DPF	14,580,624,381	13,572,066,273
- without DPF	3,440,031,369	3,251,905,861
Investment contracts with DPF	402,566,736	387,323,162
Total insurance liabilities, gross	<u>18,435,986,457</u>	<u>17,211,879,541</u>
Recoverable from reinsurers:		
Short-term insurance contracts		
- unearned premiums	6,085	5,773
- unexpired risk provision	-	-
Life insurance contracts		
- with DPF	5,636,352,264	1,025,410,202
- without DPF	1,461,184	754,533
Total reinsurer's share of liabilities (included in reinsurance assets)	<u>5,637,819,533</u>	<u>1,026,170,508</u>
Net:		
Short-term insurance contracts		
- unearned premiums	12,757,857	578,443
- unexpired risk provision	29	29
Life insurance contracts		
- with DPF	8,944,272,117	12,546,656,071
- without DPF	3,438,570,185	3,251,151,328
Investment contracts with DPF	402,566,736	387,323,162
Total insurance liabilities, net	<u>12,798,166,924</u>	<u>16,185,709,033</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS - continued

Financial liabilities – investment contracts and reinsurance assets

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
Gross:		
Investment contracts without DPF	<u>1,562,913,539</u>	<u>1,649,246,196</u>
Recoverable from reinsurers:		
Investment contracts without DPF	<u>-</u>	<u>-</u>
Net:		
Investment contracts without DPF	<u>1,562,913,539</u>	<u>1,649,246,196</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS - continued

(a) Long-term and short-term insurance contracts – assumptions, change in assumptions and sensitivity analysis

Process used to decide on assumptions

For long-term insurance contracts, prudent mortality assumptions and lower than regulatory maximum interest rates are used to determine the liabilities. These assumptions are reviewed on an annual basis to ensure the assumptions meet the regulatory requirements and the liabilities remain adequate.

The assumptions used for these insurance contracts are as follows:

- **Mortality**

An appropriate mortality table based on the Company's experience is chosen depending on the type of contract. A margin for prudence is then added to these assumptions. For ACRIB policies not transferred from the former AXA (Hong Kong) Life Insurance Company Limited, the mortality assumption currently used is 110% (2020: 110%). For ACRIB policies transferred from the former AXA (Hong Kong) Life Insurance Company Limited in 2012, the mortality assumption currently used is 110% (2020: 110%).

- **Morbidity**

Prudent rates of incidence and recovery are derived from industry and company experience studies.

- **Valuation interest rate**

The regulatory maximum interest rate is determined for each product group. This is the weighted average of the yield on government bonds for both duration and currency matching the liabilities and 97.5% of the weighted average yield on assets, where yield means redemption yield for fixed income securities and income yield for other assets. The determination of future yield is based on 20% of the current bond yield and 80% of the 5-year average bond yield with the approval by IA in 2020 Oct as a relaxation of Rule 8(7)(a)(i) of the Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E).

AXA has incorporated into its methodology for determination of VIR (per Cap. 41E section 8(7)(a)(i)) the effect of the asset duration lengthening in 2019, which is part of AXA's dynamic duration gap management action to manage interest rate risk. Specifically, the Company has reflected such asset duration lengthening through the inclusion of the term spread of the asset lengthening instrument (US government bonds or related instrument) in the determination of Reinvestment Yield. The Company has also added additional shock on term spread under the resilience testing to be prudent in addressing any risk of the term spread narrowing. The same cap and floor as those applied in the shocks in fixed interest yields are applied to the shock in term spread.

The product grouping of the valuation interest rates was reviewed and implemented in 2019, whereby the policies are segregated into 5 product groups across 2 currency groups for Hong Kong policies, 5 product groups for Macau policies and Refundable Hospitalsurance ("HSR") product group. A set of valuation interest rates are determined for each group based on the assets assigned to each group. The valuation interest rates selected are as follows and are equal to or lower than the regulatory maximum interest rates required for each group. As the product grouping is changed for each valuation, the VIR for each group is not comparable for last VIR. The weighted VIR is summarised as below for comparison:

Weighted VIR	2021YE	2020YE
CRIBHKD	2.77%	2.33%
CRIBUSD	2.32%	2.27%
CRIBMA	2.40%	2.21%
HSR	0.96%	0.62%

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS – continued

- (a) Long-term and short-term insurance contracts – assumptions, change in assumptions and sensitivity analysis – continued

The policy reserves adopted for HKFRS are the same as those determined in accordance with the requirements of the HKIO. This method complies with HKFRS 4 because insurance, or investment contracts with DPF, are already subject to a de facto liability adequacy test, since the HKIO specifies that all reserves must be prudent.

Change in assumptions

The valuation mortality rate is 110% (2020: 110%) of best estimate mortality rate during the year. This year, different mortality and morbidity assumptions are applied for Mainland Chinese Visitors (MCV) and non-MCV.

For non-MCV, the best estimate mortality rate in respect of the National Life business is 90% (2020: 69%) of HKA18 (adjusted) for female and is 85% (2020: 55%) of HKA18 (adjusted) for male during the year. For MCV, the best estimate mortality rate in respect of the National Life business is 55% (2020: 69%) of CIRC10-13 for female and is 50% (2020: 55%) of CIRC10-13 for male during the year.

For non-MCV, the best estimate mortality rate in respect of simplified underwriting business is 93.75% (2020: 62.5%) of HKA18 (adjusted) for female and is 93.75% (2020: 62.5%) of HKA18 (adjusted) for male during the year. For MCV, the best estimate mortality rate in respect of simplified underwriting business is 68.75% (2020: 62.5%) of CIRC10-13 for female and is 62.5% (2020: 62.5%) of CIRC10-13 for male during the year.

For non-MCV, the best estimate mortality rate in respect of business formerly transferred from AXA (HK) Life Insurance Company Limited is 95% (2020: 72%) of HKA18 (adjusted) for female and is 95% (2020: 55%) of HKA18 (adjusted) for male during the year. For MCV, the best estimate mortality rate in respect of business formerly transferred from AXA (HK) Life Insurance Company Limited is 55% (2020: 72%) of CIRC10-13 for female and is 50% (2020: 55%) of CIRC10-13 for male during the year.

For non-MCV, the best estimate mortality rate in respect of other life business is 75% (2020: 50%) of HKA18 (adjusted) for female and 75% (2020: 50%) of HKA18 (adjusted) for male during the year. For MCV, the best estimate mortality rate in respect of other life business is 55% (2020: 50%) of CIRC10-13 for female and is 50% (2020: 50%) of CIRC10-13 for male during the year.

For both MCV and non-MCV, the morbidity rate in respect of the Accelerated CI business is updated to 110% (2020: 105%) for female and 90% (2020: 90%) for male. For both MCV and non-MCV, The morbidity rate in respect of the Additional CI business is updated to 130% (2020: 120%) for female and 135% (2020: 140%) for male during the year. The morbidity curve is also updated with inhouse experience.

The acquisition expense per policy in respect of the Investment-linked business is \$242 (2020: \$380). The acquisition expense per Annual Premium Earned in respect of the Investment-linked business is 11.7% (2020: 13.1%) for basic plans and 11.7% (2020: 10.2%) for rider plans.

The impact of this change was US\$301 million decrease in net in reserves at 31 December 2021.

The valuation interest rates by product group for insurance contracts with DPF, insurance contracts without DPF and riders products, were as above. The impact of this change was a US\$581 million decrease in net in reserves at 31 December 2021.

Sensitivity analysis

Investment return:

Gains on equity investments directly increase reported profit. Likewise, falls in the value of equities lead to a corresponding reduction in reported profit.

Changes in the value of fixed interest assets are partially offset by changes in the value of liabilities.

There are limits to the offset between asset and liability value changes due to the impact of other statutory regulations. The limits effectively put a floor on the value of liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS – continued
- (a) Long-term and short-term insurance contracts – assumptions, change in assumptions and sensitivity analysis – continued

The following valuation interest rates are used in the sensitivity analysis:

Assumed market return on debt securities +0.5%

Weighted VIR	2021YE	2020YE
CRIBHKD	3.02%	2.61%
CRIBUSD	2.67%	2.66%
CRIBMA	2.36%	2.66%

Assumed market return on debt securities -0.5%

Weighted VIR	2021YE	2020YE
CRIBHKD	2.52%	1.87%
CRIBUSD	1.80%	1.77%
CRIBMA	1.94%	1.46%

Assumed equity securities market value +5%

Weighted VIR	2021YE	2020YE
CRIBHKD	2.82%	2.34%
CRIBUSD	2.32%	2.28%
CRIBMA	2.17%	2.22%

Assumed equity securities market value -5%

Weighted VIR	2021YE	2020YE
CRIBHKD	2.73%	2.32%
CRIBUSD	2.31%	2.26%
CRIBMA	2.16%	2.19%

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS – continued

- (a) Long-term and short-term insurance contracts – assumptions, change in assumptions and sensitivity analysis - continued

Mortality / morbidity:

Improvements in mortality and/or morbidity lead to reduced incidence of claims and higher profits. Likewise, deterioration in these factors will reduce profits. However, various reinsurance arrangements are in place to control the impact of large individual claims and claims arising from catastrophic events.

- (b) Movement in insurance liabilities

Short-term insurance contracts (gross)

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	584,245	181,002
Premiums written during the year	87,787,334	44,095,148
Premiums earned during the year	(75,607,608)	(43,691,905)
At end of year	<u>12,763,971</u>	<u>584,245</u>

Long-term insurance contracts with DPF (gross)

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	13,572,066,273	11,104,323,149
Valuation premiums received	1,788,855,436	1,550,318,237
Interest credited	290,794,769	263,441,531
Impact of change in assumptions	(758,023,164)	1,917,578,984
Impact of change in methodology	-	(1,131,939,048)
Change in resilience reserve and voluntary reserve	271,061,811	245,274,205
Release in reserve on claims, surrenders and maturities	(584,130,744)	(376,930,785)
At end of year	<u>14,580,624,381</u>	<u>13,572,066,273</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS - continued

(b) Movement in insurance liabilities – continued

Long-term insurance contracts without DPF (gross)

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	3,251,905,861	2,835,328,549
Valuation premiums received	664,472,587	600,903,764
Premiums written during the year	293,526,213	246,108,046
Premiums earned during the year	(295,007,895)	(248,003,135)
Fee deducted from account balance	(57,401,958)	-
Interest credited	14,504,435	15,190,966
Impact of change in assumptions	(28,842,135)	52,475,042
Impact of change in methodology	-	8,859,971
Change in resilience reserve and voluntary reserve	19,446,423	1,842,877
Release in reserve on claims, surrenders and maturities and unit appreciation/depreciation	(422,572,162)	(260,800,219)
At end of year	3,440,031,369	3,251,905,861

Investment contract liabilities with DPF (gross)

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	387,323,162	306,651,328
Valuation premiums/contributions received	18,012,729	19,886,498
Interest credited	7,555,405	7,148,058
Impact of change in assumptions	(20,062,573)	41,288,476
Impact of change in methodology	-	6,217,128
Change in resilience reserve and voluntary reserve	12,163,560	(736,100)
Release in reserve on claims, surrenders and maturities, and unit appreciation/depreciation	(2,425,547)	6,867,774
At end of year	402,566,736	387,323,162

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. INSURANCE LIABILITIES AND FINANCIAL LIABILITIES FOR INVESTMENT CONTRACTS - continued

(b) Movement in insurance liabilities – continued

Investment contract liabilities without DPF (gross)

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	1,649,246,196	1,632,384,824
Premiums/contributions received	56,420,624	56,769,791
Fee deducted from account balance	(26,013,173)	-
Impact of change in assumptions	(12,306,444)	(4,109,924)
Impact of change in methodology	-	294,269
Change in resilience reserve and voluntary reserve	2,056,286	1,026,588
Release in reserve on claims, surrenders and maturities, and unit appreciation/depreciation	(106,489,950)	(37,119,352)
At end of year	1,562,913,539	1,649,246,196

(c) Movement in recoverable from reinsurers

Short-term insurance contracts

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	5,773	-
Increase in period	312	5,773
Release in period	-	-
At end of year	6,085	5,773

Long-term insurance contracts

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
At beginning of year	1,026,164,735	761,890,428
Interest credited	15,972,672	17,087,360
Impact of change in assumptions	63,003,341	214,809,841
Impact of change in methodology	-	(112,546,230)
Impact of change in reinsurance arrangements (Note)	4,426,210,166	49,251,423
Change due to claims, surrenders, maturities and others	(42,303,645)	95,671,913
Increase in reserve due to new business	148,766,179	-
At end of year	5,637,813,448	1,026,164,735

Note: The Company has entered into a reinsurance transaction with Global Atlantic Assurance Limited on 12 July 2021. The reinsurance transaction was effective as of 1 July 2021. As a result of the transaction, the Company has recognised reinsurance assets of US\$4,787,517,523 and derecognised investments in securities and cash of US\$4,598,038,260, resulting in a net profit of US\$189,479,263.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22. CLAIMS PAYABLE

	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Gross:		
<u>Long term business</u>		
Claims admitted but not paid - life and annuity business	64,727,626	61,583,286
Claims incurred but not reported and others	136,433,069	112,128,928
<u>General business</u>		
Claims reported but not paid	4,455,689	432,650
Claims incurred but not reported and others	29,324,084	37,564,805
	<u>234,940,468</u>	<u>211,709,669</u>
Current	234,940,468	211,709,669
Non-current	-	-
	<u>234,940,468</u>	<u>211,709,669</u>
	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Net:		
<u>Long term business</u>		
Claims admitted but not paid - life and annuity business	(104,913,421)	(45,142,958)
Claims incurred but not reported and others	136,433,069	112,128,928
<u>General business</u>		
Claims reported but not paid	4,208,226	201,297
Claims incurred but not reported and others	29,316,981	37,388,698
	<u>65,044,855</u>	<u>104,575,965</u>
Current	65,044,855	104,575,965
Non-current	-	-
	<u>65,044,855</u>	<u>104,575,965</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

23. FINANCIAL LIABILITIES – INVESTMENT CONTRACTS

Financial liabilities – investment contracts represent the amount which the policyholders of investment contracts without DPF are entitled to as at the balance sheet date. The fair values, determined based on the fair value of underlying financial assets and derivatives at the balance sheet date, approximate to the corresponding carrying amounts.

Financial liabilities – investment contracts of US\$1,562,913,539 (2020: US\$1,649,246,196) are current liabilities.

24. PENSIONS – DEFINED CONTRIBUTION PLANS

The pensions-defined contribution plans for the current and prior years were borne by an insurer subsidiary.

25. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets:

The amounts due from group companies are unsecured, non interest bearing and due on demand.

The direct premiums receivable, debtors and amounts due from group companies at the balance sheet date are stated at amortised cost using the effective interest rate method, as reduced by appropriate allowances for estimated irrecoveries. Insurance receivables that were past due but not impaired related to a number of independent policyholders that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

All of these balances are classified as current assets.

Other than those disclosed above, none of these financial assets is either past due or impaired.

Other financial liabilities:

Repurchase Obligations and Debt Instruments Liabilities

Repurchase Obligations

The Company entered into Global Master Repurchase Agreements (“GMRA”) with several financial institutions to be able to enter into repurchase transactions (agreements to sell securities and repurchase them at a pre-defined price and on a pre-defined date, with a fee).

Pursuant to an Agency Agreement, the Company authorises a fund manager to act as its agent to arrange and administer the repurchase transactions within the parameters set forth in the agreement. In consideration of the services provided, the Company agrees to pay the agent a fee based on the notional amount of the repurchase transaction. The transaction adheres to the guidelines and requirements agreed to by all parties.

The securities sold under the transaction are marked to market daily, and the fund manager is responsible for checking the valuation, monitoring the compliance of the securities, and controlling the margin calls.

Total Return Swaps

The Company entered into a structured financing arrangement that consists of a two-step process (1) a sale of a liquid government bond with (2) a corresponding total return swap with the transferee whereby all of the interest payment and principal redemption cash flows from the underlying bond are remitted back to the Company in exchange for agreed upon payments by the Company. Throughout the term of the agreement, the Company will receive the nominal bond coupons and pay a fixed financing cost to the counterparty bank. The term of the arrangement is until the maturity of the underlying bond. At the end of the agreement term, the asset maturity redemption amount is returned to the Company and the Company repays the counterparty bank the financing amount which could be either bond notional or initial price.

The collateral is marked to market daily, and the fund manager is responsible for checking the valuation, monitoring the compliance of the collateral, and controlling the margin calls.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES - continued

The following table specifies the amounts subject to repurchase agreements and total return swaps which do not qualify for de-recognition at each year/period end:

	<u>At 31.12.2021</u> US\$'000	<u>At 31.12.2020</u> US\$'000
Repurchase agreement	178,681	646,408
Total return swap	<u>3,125,137</u>	<u>7,193,580</u>
	<u>3,303,818</u>	<u>7,839,988</u>

The amounts due to group companies are unsecured, non interest bearing and due on demand.

The insurance payables (including dividend payable and amounts due to reinsurers and intermediaries under reinsurance contracts ceded), creditors and amount due to group companies are subsequently measured at amortised cost using the effective interest method. In respect of the dividend payable and amounts due to reinsurers and intermediaries under reinsurance contracts ceded, a reinsurance recoverable of US\$560,491,748 has been included in the reinsurance assets on balance sheet.

The directors consider the carrying values of the above items approximately equal to their fair values.

All of these balances are classified as current liabilities.

26. EQUITY COMPENSATION BENEFITS

Certain eligible employees of AXA SA and its subsidiaries (the “AXA Group”) have been granted options to subscribe to AXA shares at fixed prices in AXA SA, the ultimate holding company of the Company, under the AXA SA Stock Option Plan.

The grantee may exercise the option in accordance with the following schedule:

- 1/3 of the options granted are vested and exercisable on or after the second anniversary of the grant date
- 2/3 of the options granted are vested and exercisable on or after the third anniversary of the grant date
- All options granted are vested and exercisable on or after the fourth anniversary of the grant date.

For the 2012 plan and before, a performance condition is applied for Stock Option grant more than 5,000: the last tranche when vested will become exercisable only if the AXA share price has performed at least as well as the EuroStoxx Insurance index either since the grant date or over the last 3-year period.

For the 2013 Plan, the performance condition is applied to the last third of the grant and will become exercisable as follows:

- If the performance of the AXA share is equal to 75% of the performance of the Eurostoxx Insurance Index over the same period, 50% of the options will be exercisable
- If the performance of the AXA share is equal to 100% of the performance of the Eurostoxx Insurance Index over the same period, 100% of the options will be exercisable
- If the performance of the AXA share range between 75% and 100% of the performance of the Eurostoxx Insurance Index over the same period, the number of options exercisable will vary proportionately from 50% to 100%

Since 2014 SXIP Insurance Index replaces EuroStoxx Insurance index and a new vesting schedule applies to the stock option grants:

- 1/3 of the options granted are vested and exercisable on or after the third anniversary of the grant date
- 2/3 of the options granted are vested and exercisable on or after the fourth anniversary of the grant date
- All options granted are vested and exercisable on or after the fifth anniversary of the grant date.

The exercise price of the stock options ranged from Euro 9.76 to Euro 33.78 with the average remaining anniversary of two to four years of grant date.

In 2019, in order to simplify AXA’s compensation policy and in line with market practice and feedbacks of many institutional investors, AXA’s Board of Directors, decided to cease awarding stock options to corporate officers and AXA employees.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

26. EQUITY COMPENSATION BENEFITS - continued

AXA SHAREPLAN

For the past 27 years, the AXA Group has continuously offered employees the opportunity to become AXA shareholders through the annual employee share offering (the "SharePlan"), comprising two investment options: the Traditional Plan and the Leverage Plan.

Under the AXA Shareplan, AXA offers employees of the AXA group opportunity to invest and hold units in funds in this shareplan which in turn hold AXA shares. This shareplan enables such employees to purchase AXA shares indirectly through the funds at fixed discounts to AXA share reference prices.

SHARES SUBJECT TO PERFORMANCE CONDITIONS (INTERNATIONAL PERFORMANCE SHARES AND INTERNATIONAL RESTRICTED SHARES)

Shares subject to performance conditions are designed to recognize and motivate the Group's best talents and core skills by aligning the individuals' interests with the overall performance of the AXA Group, and the corresponding operational Entity/Business Unit as well as with the stock performance of the AXA share over the medium-long term.

Since 2013, beneficiaries have received Performance Shares plans. From 2022, the Board of Directors, upon recommendation of its of the Compensation and Governance Committee, may grant Performance Shares to Senior Management, including members of the Management Committee and Restricted Shares to other beneficiaries.

Rules regarding shares subject to performance conditions:

Each beneficiary receives an initial preliminary allocation of shares subject to performance conditions (Performance Shares or Restricted Shares) which is then used as a reference to calculate the number of shares that will be definitely granted at the end of a 3-year performance period.

During the performance period, all shares subject to performance conditions initially granted, are integrally subject to performance criteria regardless of the beneficiary's status.

For Performance Shares and Restricted Shares, the achievement rate of the performance criterion (performance rate) is used to determine the number of AXA shares which will be definitively acquired by the beneficiaries at the end of the acquisition period, under the condition that the beneficiary is still employed by the AXA Group. The number of AXA shares definitively granted shall therefore be equal to the number of rights to AXA shares initially granted multiplied by the performance rate, which may not exceed 130% for the Performance Shares and 100% for the Restricted Shares.

Furthermore, for the Performances Shares and Restricted Shares, in the event that no dividend would be proposed for payment (outside regulatory constraint) by the Board of Directors to the Company shareholders for any of the fiscal years of the performance period, the number of shares definitively acquired shall be automatically divided by two.

AXA MILES

In 2012, AXA Group has announced the grant of 50 AXA Miles to all AXA Group employees. Every eligible employee was awarded 50 AXA Miles in March 2012, which convert into shares at the end of the acquisition period in March 2016. Out of the 50 AXA Miles, 25 have been granted without any particular conditions at grant date and 25 have been actually granted in March 2013 as performance conditions have been reached at that date.

In March 2016, all granted AXA Miles in 2012 were vested by eligible employees and have been converted to AXA shares.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

26. EQUITY COMPENSATION BENEFITS - continued

The following tables disclose details of the relevant share options held by employees of the Company and movements in such holdings during the year:

	<u>Number of units per plan type</u>	
	<u>AXA SA Stock Option Plan</u>	<u>International Performance Share Plan</u>
Outstanding at 1 January 2020	-	8,415
Granted during the year	-	16,240
Outstanding at 31 December 2020	-	24,655
Granted during the year	-	13,932
Outstanding at 31 December 2021	-	38,587

The expenses arising from equity-settled during the year relate to options granted to certain eligible employees for services provided to the Company and other group companies. Accordingly, the entire cost of these options, representing the amortisation of the relevant share-based plans for the period up to 31 December 2021 of US\$4,050,618 (2020: US\$3,057,768), was absorbed by a subsidiary.

27. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred is as follows:

	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	<u>US\$</u>	<u>US\$</u>
Unlisted unit trust investments	<u>554,189,146</u>	<u>541,616,787</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Deposits with banks		
Fixed term	82,505,681	145,798,457
Current accounts	715,973,555	893,669,044
Cash	2,271	2,284
	<u>798,481,507</u>	<u>1,039,469,785</u>
Less:		
Pledged bank deposits (note 31)	(44,802,201)	(44,774,386)
Fixed term bank deposits with maturity over three months	<u>(37,703,480)</u>	<u>(101,024,071)</u>
	<u>715,975,826</u>	<u>893,671,328</u>

Deposits with banks represent cash at current accounts with banks and deposits placed with various banks with terms up to 3 years with interest rate up to 1.55% per annum (2020: 2.05% per annum).

The directors consider the carrying values of the above items approximately equal to their fair values.

29. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Financial risk management

The Company enters into financial instruments, including derivative financial instruments, for hedging purposes. The use of financial derivatives is governed by the policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a continuous basis.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

(c) Derivatives

The Company uses derivatives as part of the normal investment management procedures. Derivatives are principally used as an effective alternative to physical assets in order to achieve a desired level of total exposure to various asset classes, and as a means to hedge against market movements.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

29. DERIVATIVE FINANCIAL INSTRUMENTS - continued

	<u>At 31.12.2021</u>	
	<u>Assets</u>	<u>Liabilities</u>
	US\$	US\$
Forward currency contracts	66,803,026	23,581,591
Interest rate swap	2,537,828	313,812
Equity options	24,266,701	12,661,180
Forward interest rate swap	69,013,061	238,356,357
Asset swap	1,417,702	666,830,502
Credit default swap	2,191,528	155,370
Swaption	31,587,998	181,528
Cross currency swap	23,535,310	2,137,652
Equity forward	16,148,989	10,173,728
	<u>237,502,143</u>	<u>954,391,720</u>

	<u>At 31.12.2020</u>	
	<u>Assets</u>	<u>Liabilities</u>
	US\$	US\$
Forward currency contracts	29,540,023	54,377,529
Interest rate swap	6,141,461	56,242
Equity options	19,798,760	13,039,156
Forward interest rate swap	75,857,101	184,719,835
Asset swap	-	263,688,291
Bond forward	30,370,911	-
Credit default swap	906,946	-
Swaption	8,339,557	474,314
Cross currency swap	25,088,104	-
Equity forward	2,345,023	5,529,913
	<u>198,387,886</u>	<u>521,885,280</u>

	<u>Contractual or notional amounts</u>	
	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Forward currency contracts - bought	9,278,892,233	5,916,893,577
- sold	(9,235,670,797)	(5,941,731,083)
Equity options - long	700,350,063	773,281,544
- short	(399,707,784)	(201,936,459)
Forward interest rate swap	5,262,749,351	5,908,947,425
Interest rate swaps - long	23,600,000	21,950,000
- short	(92,527,000)	(179,427,000)
Asset swap	2,219,976,395	2,120,615,504
Bond forward	-	100,000,000
Credit default swap	220,500,000	79,500,000
Currency option	-	-
Swaption	4,452,063,514	541,000,000
Equity forward - long	80,000,000	50,000,171
- short	(376,773,275)	(100,297,452)
Cross currency swap	3,520,023,006	2,253,099,409

Derivatives held by the Company are valued on a fair value basis, which involves the calculation and recognition of unrealised gains and losses on all current positions.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

29. DERIVATIVE FINANCIAL INSTRUMENTS - continued

There are four major types of risks inherent in derivatives, these are:

- Market risk – the risk of loss due to a change in market conditions
- Liquidity risk – the risk that a transaction in a particular physical asset or derivative could have a detrimental effect on its price; for example in the extreme, it may not be possible to sell the security
- Credit risk – the risk that a loss will be incurred if a counterparty defaults on a contract
- Operational risk – the risk of losses occurring as a result of inadequate systems and control, human error or management failure

The Company has a Derivatives Policy which describes the objectives, authorisation and conditions of uses, counterparty requirements, and operating procedures in order to manage the risks inherent in derivatives. Market risk is controlled through a process of setting exposure limits to various asset classes and exposure limits to particular holdings within an asset class.

30. NET ASSETS HELD ON BEHALF OF FELLOW SUBSIDIARIES OF THE COMPANY

The Company manages a combined non-linked investment portfolio of approximately US\$1,603,139,524 (2020: US\$1,717,923,542) which are recorded in the name of the Company in accordance with the deed of trust dated 13 July 2009 entered with three of its subsidiaries. Included in this portfolio are investments (net of derivative liabilities) held on behalf and for the benefit of several Hong Kong-based insurer namely AXA China Region Insurance Company Limited (an aggregate amount of 2021: US\$482,753,104, 2020: US\$500,049,973) in the AXA China Region Group. The financial statements disclose the remaining balance of US\$1,120,386,420 (2020: US\$1,217,873,569) which is held for the benefit of the Company.

31. PLEDGE OF ASSETS

The Company's Macau Branch has pledged its bank deposits of US\$44,802,201 (2020: US\$44,774,386) and debt securities of US\$665,500,727 (2020: US\$619,923,341) to Autoridade Monetária e Cambial de Macau as a guarantee in respect of the required technical reserves.

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

32. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following major transactions with related parties:

	Notes	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
Reinsurance premiums to fellow subsidiaries	a	(101,397,015)	(90,841,511)
Reinsurance recoveries from fellow subsidiaries	a	76,372,563	69,219,774
Reinsurance commissions from fellow subsidiaries	a	10,351,584	8,890,393
Reinsurance assets from fellow subsidiaries	a	66,081,374	68,039,687
Reinsurance premiums from fellow subsidiaries	b	13,977,431	26,913,320
Reinsurance recoveries to fellow subsidiaries	b	(7,774)	(3,199,940)
Reinsurance commissions to fellow subsidiaries	b	(962,070)	(3,257,124)
Investment charges paid to fellow subsidiaries	c	(17,041,718)	(18,915,177)
Interest income from the immediate holding company	d	1,130,912	2,032,445
Allocation of management expenses from a subsidiary	e	(181,517,978)	(183,682,720)
Trademark fees to the ultimate holding company	f	(2,920,773)	(12,444,528)

Notes:

- (a) The amounts relate to a reinsurance ceded arrangement made or payable with fellow subsidiaries in the normal course of business.
- (b) The amounts relate to the reinsurance accepted arrangements made with related group companies/fellow subsidiaries including a new reinsurance treaty with a fellow subsidiary for an accident and health product with fully refundable features. Commissions are paid and received on such arrangements. All reinsurance agreements are entered into in the normal course of business.
- (c) The investment charges were made to a fellow subsidiary for the provision of the investment services throughout the year based on the size of the investment portfolios.
- (d) The floating rate of a debenture of HK\$736 million was terminated on 6 June 2021 and renewed on 7 June 2021 which issued by an intermediate holding company is unsecured and bearing interest at the fixed interest rate of 1.18% per annum (2020: 0.96% per annum above Hong Kong Inter Bank Offer Rate ("HIBOR")). The debenture will be fully redeemed on or before 6 June 2026.
- (e) Certain overhead costs borne by the group companies were allocated to the Company for sharing the common services and facilities on time spent basis.
- (f) The trademark fees recharged from the ultimate holding company for the provision of brand usage.
- (g) Details of the Company's balances with related parties are set out in the balance sheet and note 25 to the financial statements.
- (h) The Company manages a combined non-linked investment portfolio on behalf of a subsidiary and fellow subsidiaries, which are held by an investment custodian in the name of the Company, as described in note 30.
- (i) During the year, the Company obtained key management personnel services from its fellow subsidiary, AXA China Region Insurance Company Limited. The key management personnel received unapportioned remuneration of US\$4,496,690 (2020: US\$6,926,133).

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

33. PROFIT AND LOSS ACCOUNT PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE

	Year ended 31.12.2021 US\$	Year ended 31.12.2020 US\$
Transfer from revenue accounts		
Long term business	-	-
General business	23,132,559	7,967,071
	<u>23,132,559</u>	<u>7,967,071</u>
Income		
Investment income		
- listed	-	34,001
- unlisted	225,883	548,335
Net realised and unrealised (losses)/gains on investments	(1,806)	11,106
Other income	(89,191)	3,430,656
	<u>134,886</u>	<u>4,024,098</u>
Expenses		
Investment expenses	-	(20,523)
Management and other expenses	(4,341,384)	(1,009,131)
	<u>(4,341,384)</u>	<u>(1,009,131)</u>
Profit before taxation	18,926,061	10,961,515
Tax expense	(2,203,995)	(1,161,784)
	<u>16,722,066</u>	<u>9,799,731</u>
Profit for the year		
	<u><u>16,722,066</u></u>	<u><u>9,799,731</u></u>
Dividends	-	-
	<u><u>-</u></u>	<u><u>-</u></u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

34. BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE

	<u>Notes</u>	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
<u>ASSETS</u>			
INTANGIBLE ASSETS	12	188,048	260,844
Adjustments under the Valuation Rules	36	(722)	(114,335)
		<u>187,326</u>	<u>146,509</u>
PLANT AND EQUIPMENT	13	2,062,782	2,376,476
RIGHT-OF-USE ASSETS	14	1,453,854	170,694
INVESTMENTS IN SUBSIDIARIES	15	1,122,927,748	1,862,997,551
INVESTMENTS IN ASSOCIATES	16	127,094,620	78,177,678
INVESTMENTS IN SECURITIES	17, 32	21,591,694,208	28,501,216,635
LOANS	18	172,220,531	166,359,304
DEFERRED TAX ASSETS	19	-	-
OTHER ASSETS			
Direct premiums receivable	25	305,412,499	390,441,902
Debtors and prepayments, unsecured	25	141,247,338	183,349,563
Reinsurance assets	21, 22	6,368,206,894	1,133,304,212
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	25	4,522,007	3,800
Amounts due from an insurer subsidiary	25	19,200,427	257,549,650
Amount due from the immediate holding company	25	41,580,454	31,595,262
Amount due from the ultimate holding company	25	308	-
Amounts due from fellow subsidiaries	25	82,910	394,600
Derivative financial instruments	29	237,502,143	198,387,886
Deposits with banks			
Fixed term	28	114,528,741	219,390,868
Current accounts	28	683,950,495	820,076,633
Cash	28	2,271	2,284
		<u>7,916,236,487</u>	<u>3,234,496,660</u>
Adjustments under the Valuation Rules	36	(7,541,436)	-
		<u>7,908,695,051</u>	<u>3,234,496,660</u>
TOTAL ASSETS		<u>30,926,336,120</u>	<u>33,845,941,507</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
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34. BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE
- continued

	<u>Notes</u>	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
<u>CAPITAL SURPLUS AND LIABILITIES</u>			
CAPITAL AND RESERVES			
Share capital	20	175,782,800	175,782,800
Reserves	35	554,976,007	538,253,941
Adjustments under the Valuation Rules	36	(7,542,158)	(114,335)
		547,433,849	538,139,606
		723,216,649	713,922,406
INSURANCE FUNDS			
Insurance liabilities	37	19,998,899,996	18,861,125,737
Unassigned surplus	37	2,632,399,721	2,708,176,518
		22,631,299,717	21,569,302,255
DEFERRED TAX LIABILITIES		2,823,724	1,378,481
OTHER LIABILITIES			
Repurchase obligations and debt instruments liabilities	25	3,303,817,680	7,839,987,558
Creditors and accrued charges	25	396,853,251	494,023,444
Lease Payable	14	1,527,879	196,108
Claims payable	22	234,940,468	211,709,669
Commissions payable	25	130,417,600	119,713,483
Policyholders' funds on deposit	25	428,734,329	375,956,754
Dividend payable	25	1,836,884,640	1,772,298,039
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	25	168,586,271	56,664,481
Amounts due to non-insurer subsidiaries	25	-	2,468,951
Amounts due to an insurer subsidiary	25	-	-
Amount due to the ultimate holding company	25	-	12,444,218
Amount due to an intermediate holding company	25	2,993,055	2,996,288
Amounts due to fellow subsidiaries	25	106,230,260	120,440,429
Amount due to a related company	25	-	2,010,510
Derivative financial instruments	29	954,391,720	521,885,280
Current tax payables		3,618,877	28,543,153
		7,568,996,030	11,561,338,365
TOTAL CAPITAL SURPLUS AND LIABILITIES		30,926,336,120	33,845,941,507

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

35. RESERVES

Under HKIO basis

	Share premium US\$	Retained profits and valuation adjustments US\$	Total US\$
At 1 January 2020	383,257,000	145,197,210	528,454,210
Profit for the year	-	9,799,731	9,799,731
Dividends (note 11)	-	-	-
At 31 December 2020	383,257,000	154,996,941	538,253,941
Profit for the year	-	16,722,066	16,722,066
Dividends (note 11)	-	-	-
At 31 December 2021	383,257,000	171,719,007	554,976,007

36. ADJUSTMENTS UNDER THE HONG KONG INSURANCE (GENERAL BUSINESS) (VALUATION) RULES

Under HKIO basis

	At 31.12.2021 US\$	At 31.12.2020 US\$
Investments in securities -		
Adjustment under section 4 of the Valuation Rules	-	-
Adjustment under section 8 of the Valuation Rules	-	-
Adjustment under section 14 of the Valuation Rules	-	-
	-	-
Other assets -		
Adjustment under section 14 of the Valuation Rules	7,541,436	-
Insurance funds -		
Adjustment under section 10 of the Valuation Rules	722	114,335
	7,542,158	114,335

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

37. INSURANCE LIABILITIES/FUNDS

Under HKIO basis

	<u>At 31.12.2021</u>	<u>At 31.12.2020</u>
	US\$	US\$
Policy reserves, net		
Individual life and annuity business	10,243,383,056	13,875,446,848
Linked long term business	4,104,884,885	3,958,914,180
Retirement scheme management category III	54,636	15,729
General insurance business	12,757,886	578,472
Reinsurance assets	<u>5,637,819,533</u>	<u>1,026,170,508</u>
Insurance liabilities, gross	<u>19,998,899,996</u>	<u>18,861,125,737</u>
Unassigned surplus		
Individual life and annuity business and linked long term business	<u>2,632,399,721</u>	<u>2,708,176,518</u>
Unassigned surplus	<u>2,632,399,721</u>	<u>2,708,176,518</u>
Adjustment under the Valuation Rules	<u>-</u>	<u>-</u>
Insurance funds	<u><u>22,631,299,717</u></u>	<u><u>21,569,302,255</u></u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE

FOR THE YEAR ENDED 31 DECEMBER 2021

38. LONG TERM REVENUE ACCOUNT PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE

	2021					2020				
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$
Fund brought forward										
Policy reserves	13,875,446,848	3,958,914,180	15,729	17,834,376,757	11,477,404,101	3,639,381,517	11,804	15,116,797,422		
Unassigned surplus	2,425,548,755	281,308,874	1,318,889	2,708,176,518	1,384,798,947	187,503,235	445,429	1,572,747,611		
	16,300,995,603	4,240,223,054	1,334,618	20,542,553,275	12,862,203,048	3,826,884,752	457,233	16,689,545,033		
Gross premiums										
- first year	346,030,878	42,128,341	286,890	388,446,109	226,072,357	18,141,226	144,175	244,357,758		
- renewal	2,351,449,099	167,269,677	2,855,602	2,521,574,378	2,301,090,505	208,299,122	3,132,202	2,512,521,829		
- single	91,541,735	400,741,576	-	492,283,311	73,911,138	167,583,578	-	241,494,716		
Reinsurance premiums accepted										
- first year	5,191,337	-	-	5,191,337	1,013,780	-	-	1,013,780		
- renewal	14,430,181	-	-	14,430,181	22,524,962	-	-	22,524,962		
Reinsurance regular premiums ceded										
- first year	(296,997,262)	(67,887)	(207)	(297,065,356)	(24,096,685)	(43,562)	(2,454)	(24,142,701)		
- renewal	(289,083,607)	(2,629,652)	(287,351)	(292,000,610)	(216,556,263)	(1,841,741)	(357,444)	(218,755,448)		
- single	(91,158,563)	(5,457,100)	-	(96,615,663)	(37,101,255)	(6,031,059)	-	(43,132,314)		
	2,131,403,798	601,984,955	2,854,934	2,736,243,687	2,346,858,539	386,107,564	2,916,479	2,735,882,582		
Contributions										
- listed	480,758,555	3,677,913	-	484,436,468	500,467,864	3,390,535	-	503,858,399		
- unlisted	203,658,536	76,557,940	-	280,216,476	159,379,379	64,529,643	-	223,909,022		
Net realised and unrealised (losses)/gains on investments										
Gain on disposal of subsidiary	(1,145,956,034)	40,789,019	-	(1,105,167,015)	1,720,682,547	406,922,316	-	2,127,604,863		
Other income	926,898	-	-	926,898	-	-	-	-		
Gain on portfolio reinsurance	44,596,246	(27,524,384)	229	17,072,091	115,404,284	(117,528,589)	175,373	(1,948,932)		
	189,479,263	-	-	189,479,263	-	-	-	-		
	18,205,862,865	4,935,708,497	4,189,781	23,145,761,143	17,704,995,661	4,570,306,221	3,549,085	22,278,850,967		

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

38. LONG TERM REVENUE ACCOUNT PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE – continued

	2021				2020			
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$
Claims and other benefits								
- Death and disability claims	281,706,514	8,256,244	2,888,623	292,851,381	260,236,510	9,234,051	1,989,475	271,460,036
- Surrenders	119,906,975	518,380,691	-	638,287,666	216,412,087	312,218,668	-	528,630,755
- Maturities	96,772,909	-	-	96,772,909	77,799,980	-	-	77,799,980
- Dividends	324,840,284	32,745,033	-	357,585,317	318,291,457	18,188,524	-	336,479,981
Reinsurance claims accepted	1,195,884	-	-	1,195,884	1,994,970	-	-	1,994,970
Claims and other benefits recoverable								
- Death and disability claims	(191,156,523)	(904,989)	-	(192,061,512)	(91,590,381)	(601,790)	-	(92,192,171)
- Surrenders	(2,217,798)	(161,325,702)	-	(163,543,500)	-	(77,917,662)	-	(77,917,662)
- Maturities	-	-	-	-	-	-	-	-
	631,048,245	397,151,277	2,888,623	1,031,088,145	783,144,623	261,121,791	1,989,475	1,046,255,889
Direct commissions								
- first year	218,499,841	57,750,248	82,072	276,332,161	178,122,379	19,207,069	61,261	197,390,709
- renewal	75,328,647	7,247,574	43,090	82,619,311	97,976,020	7,811,859	45,077	105,832,956
- single	9,418,319	9,240,463	-	18,658,782	7,787,906	4,033,367	-	11,821,273
Reinsurance commissions on premiums accepted								
- first year	1,780,144	-	-	1,780,144	277,817	-	-	277,817
- renewal	987,844	-	-	987,844	1,325,502	-	-	1,325,502
Reinsurance commissions on regular premiums ceded								
- first year	(30,269,271)	(30,549)	(1)	(30,299,821)	(20,223,450)	(15,104)	(176)	(20,238,730)
- renewal	(43,299,794)	(253,285)	(298)	(43,553,377)	(40,917,842)	(186,531)	(127)	(41,104,500)
- single	-	(789,199)	-	(789,199)	-	(672,813)	-	(672,813)
	232,445,730	73,165,252	124,863	305,735,845	224,348,332	30,177,847	106,035	254,632,214

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE

FOR THE YEAR ENDED 31 DECEMBER 2021

38. LONG TERM REVENUE ACCOUNT PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE – continued

	2021					2020				
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$
Management and other expenses	257,421,726	49,057,254	7,375	306,486,355	182,764,012	29,236,849	146	212,001,007	182,764,012	29,236,849
Investment expenses	229,558,260	3,078,806	-	232,637,066	185,465,764	6,350,499	-	191,816,263	185,465,764	6,350,499
Taxation charge	32,600,542	4,724,322	-	37,324,864	27,763,732	3,196,181	118,811	31,078,724	27,763,732	3,196,181
Increase in policy reserves	354,004	-	-	354,004	513,595	-	-	513,595	513,595	-
Increase in reinsurance assets	4,251,412,566	-	-	4,251,412,566	-	-	-	-	-	-
Fund carried forward	10,243,383,056	4,104,884,885	54,636	14,348,322,577	13,875,446,848	3,958,914,180	15,729	17,834,376,757	13,875,446,848	3,958,914,180
Policy reserves	2,327,638,736	303,646,701	1,114,284	2,632,399,721	2,425,548,755	281,308,874	1,318,889	2,708,176,518	2,425,548,755	281,308,874
Unassigned surplus	12,571,021,792	4,408,531,586	1,168,920	16,980,722,298	16,300,995,603	4,240,223,054	1,334,618	20,542,553,275	16,300,995,603	4,240,223,054
	18,205,862,865	4,935,708,497	4,189,781	23,145,761,143	17,704,995,661	4,570,306,221	3,549,085	22,278,850,967	17,704,995,661	4,570,306,221

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39. GENERAL BUSINESS REVENUE ACCOUNT PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE

	2021						2020							
	Accident and health US\$	Motor vehicles US\$	General liability US\$	Pecuniary loss US\$	Goods in transit US\$	Property damage US\$	Total US\$	Accident and health US\$	Motor vehicles US\$	General liability US\$	Pecuniary loss US\$	Goods in transit US\$	Property damage US\$	Total US\$
Premiums														
- direct underwriting	37,916,856	-	643	-	-	6,394	37,923,893	38,500,029	-	705	-	-	6,989	38,507,723
- reinsurance accepted	49,863,440	-	-	-	-	-	49,863,440	5,587,424	-	-	-	-	-	5,587,424
Reinsurance premiums ceded														
- direct underwriting	(49,244)	-	-	-	-	-	(49,244)	(294,693)	-	-	-	-	-	(294,693)
Change in unearned premium	(12,185,699)	-	22	-	-	178	(12,185,499)	(397,493)	-	2	-	-	20	(397,471)
Change in reinsurance assets	6,085	-	-	-	-	-	6,085	-	-	-	-	-	-	-
	75,551,438	-	665	-	-	6,572	75,558,675	43,395,267	-	707	-	-	7,009	43,402,983
Gross claims														
- direct underwriting	24,623,887	(26,886)	(12,903,061)	-	(13,555)	(11,878)	11,668,507	32,389,238	(261,655)	(4,007,494)	(162)	(82)	(490,095)	27,629,750
- reinsurance accepted	26,122,397	-	-	-	-	-	26,122,397	2,557,023	-	-	-	-	-	2,557,023
Claims recoverable														
- direct underwriting	(39,397)	15,161	(16,166)	-	(8)	11	(40,399)	(77,056)	(12,908)	103,377	-	11	-	13,424
Net claims	50,706,887	(11,725)	(12,919,227)	-	(13,563)	(11,867)	37,750,505	34,869,205	(274,563)	(3,904,117)	(162)	(71)	(490,095)	30,200,197
Commissions														
- direct underwriting	2,653,065	-	8	-	-	57	2,653,130	1,692,276	-	1	-	-	7	1,692,284
- reinsurance accepted	10,291,567	-	-	-	-	-	10,291,567	2,286,163	-	-	-	-	-	2,286,163
Reinsurance commissions ceded														
- direct underwriting	(6,571)	-	-	-	-	-	(6,571)	(8,162)	-	-	-	-	-	(8,162)
Net commissions	12,938,061	-	8	-	-	57	12,938,126	3,970,277	-	1	-	-	7	3,970,285
Change in unexpired risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management and other expenses	1,737,478	-	-	-	-	7	1,737,485	1,265,441	-	(1)	-	-	(10)	1,265,430
Underwriting result	10,169,012	11,725	12,919,884	-	13,563	18,375	23,132,559	3,290,344	274,563	3,904,824	162	71	497,107	7,967,071

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE

(a) Statement of comprehensive income

	Notes	2021			2020		
		HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$
INSURANCE PREMIUM REVENUE	40(c)	2,792,204,733	31,777,043	2,823,981,776	2,739,562,020	40,121,016	2,779,683,036
Gross premiums and contributions	40(c)	3,406,187,331	34,040,360	3,440,227,691	2,993,955,337	42,926,689	3,036,882,026
Reinsurance premiums accepted		69,484,958	-	69,484,958	29,126,166	-	29,126,166
Reinsurance premiums ceded		(683,467,556)	(2,263,317)	(685,730,873)	(283,519,483)	(2,805,673)	(286,325,156)
Investment income		764,652,944	-	764,652,944	727,767,421	-	727,767,421
Net realised and unrealised (losses)/gains on investments	40(c)	(1,105,167,015)	-	(1,105,167,015)	2,127,604,863	-	2,127,604,863
Other income	40(c)	41,065,729	(23,993,638)	17,072,091	84,480,729	(86,428,876)	(1,948,147)
Gross claims		(304,519,888)	-	(304,519,888)	(299,089,786)	-	(299,089,786)
Reinsurance claims accepted		(27,318,281)	-	(27,318,281)	(4,551,993)	-	(4,551,993)
Claims recoverable		192,101,911	-	192,101,911	92,178,747	-	92,178,747
Surrenders, maturities, dividends and withdrawals	40(c)	(829,015,883)	(100,086,509)	(929,102,392)	(787,083,633)	(77,909,421)	(864,993,054)
Gross commissions		(380,263,384)	-	(380,263,384)	(316,737,222)	-	(316,737,222)
Commissions on reinsurance accepted		(13,059,555)	-	(13,059,555)	(3,889,482)	-	(3,889,482)
Commissions on reinsurance ceded		74,648,968	-	74,648,968	62,024,205	-	62,024,205
Gain on portfolio reinsurance		189,479,263	-	189,479,263	-	-	-
Management and other expenses		(308,223,839)	-	(308,223,839)	(213,267,222)	-	(213,267,222)
Gain on disposal of subsidiaries		926,898	-	926,898	-	-	-
Investment expenses		(232,637,066)	-	(232,637,066)	(191,816,263)	-	(191,816,263)
Increase in insurance liabilities	40(c), (d)	(1,224,460,921)	86,332,657	(1,138,128,264)	(2,966,203,376)	(16,567,105)	(2,982,770,481)
Increase in reinsurance assets		360,236,459	-	360,236,459	264,280,080	-	264,280,080
Increase in investment liabilities		(5,970,447)	5,970,447	-	(140,784,386)	140,784,386	-
INSURANCE (LOSS)/PROFIT		(15,319,374)	-	(15,319,374)	1,174,474,702	-	1,174,474,702

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

(a) Statement of comprehensive income - continued

		2021		2020			
	Notes	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$
OTHER REVENUES AND EXPENSES							
Investment income		225,883	-	225,883	582,336	-	582,336
Net realised and unrealised (losses)/gain on investments		(1,806)	-	(1,806)	11,106	-	11,106
Other income		(89,191)	-	(89,191)	3,430,656	-	3,430,656
Investment expenses		-	-	-	(20,523)	-	(20,523)
Management and other expenses		(4,341,384)	-	(4,341,384)	(1,009,131)	-	(1,009,131)
(LOSS)/PROFIT BEFORE TAXATION		(19,525,872)		(19,525,872)	1,177,469,146		1,177,469,146
TAXATION	40(e)	(39,528,859)	-	(39,528,859)	(32,240,508)	-	(32,240,508)
(LOSS)/PROFIT FOR THE YEAR		(59,054,731)		(59,054,731)	1,145,228,638		1,145,228,638
TRANSFER FROM/(TO)							
UNASSIGNED SURPLUS	40(g)	-	75,776,797	75,776,797	-	(1,135,428,907)	(1,135,428,907)
(LOSS)/PROFIT AFTER TRANSFER		(59,054,731)		16,722,066	1,145,228,638		9,799,731

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

(b) Balance Sheet

	Notes	2021			2020		
		HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$
<u>ASSETS</u>							
Intangible assets		188,048	-	188,048	260,844	-	260,844
Adjustments under the Valuation Rules		-	(722)	(722)	-	(114,335)	(114,335)
		188,048		187,326	260,844		146,509
Plant and equipment		2,062,782	-	2,062,782	2,376,476	-	2,376,476
Right-of-use assets		1,453,854	-	1,453,854	170,694	-	170,694
Investments in subsidiaries		1,122,927,748	-	1,122,927,748	1,862,997,551	-	1,862,997,551
Investments in associates		127,094,620	-	127,094,620	78,177,678	-	78,177,678
Investments in securities	40(h)	21,573,263,202	18,431,006	21,591,694,208	28,500,463,639	752,996	28,501,216,635
Adjustments under the Valuation Rules	40(f)	-	-	-	-	-	-
		21,573,263,202		21,591,694,208	28,500,463,639		28,501,216,635
Loans		172,220,531	-	172,220,531	166,359,304	-	166,359,304
Deferred tax asset	40(e)	-	-	-	-	-	-

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

(b) Balance Sheet - continued

	Notes	2021		2020	
		HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$ Adjustments US\$
<u>ASSETS</u>					
Other assets					
Direct premiums receivable		305,412,499	-	305,412,499	390,441,902
Debtors and prepayments		141,247,338	-	141,247,338	183,349,563
Reinsurance assets		6,368,206,894	-	6,368,206,894	1,133,304,212
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded		4,522,007	-	4,522,007	3,800
Amount due from an insurer subsidiary		19,200,427	-	19,200,427	257,549,650
Amount due from the immediate holding company		41,580,454	-	41,580,454	31,595,262
Amount due from the ultimate holding company		308	-	308	-
Amounts due from fellow subsidiaries		82,910	-	82,910	394,600
Derivative financial instruments		237,502,143	-	237,502,143	198,387,886
Pledged bank deposits		44,802,201	-	44,802,201	44,774,386
Fixed term bank deposits		37,703,480	32,023,060	69,726,540	73,592,411
Cash and cash equivalents		715,975,826	(32,023,060)	683,952,766	(73,592,411)
Adjustment under the Valuation Rules 40(f)		-	(7,541,436)	(7,541,436)	-
		7,916,236,487		7,908,695,051	3,234,496,660
Total assets		30,915,447,272		30,926,336,120	33,845,302,846
					33,845,941,507

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

(b) Balance Sheet - continued

		2021			2020		
	Notes	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$
<u>EQUITY AND LIABILITIES</u>							
Capital and reserves							
Share capital		175,782,800	-	175,782,800	175,782,800	-	175,782,800
Reserves	40(g)	3,168,944,722	(2,613,968,715)	554,976,007	3,245,677,463	(2,707,423,522)	538,253,941
Adjustments under the Valuation Rules	40(f)	-	(7,542,158)	(7,542,158)	-	(114,335)	(114,335)
		3,168,944,722		547,433,849	3,245,677,463		538,139,606
		3,344,727,522		723,216,649	3,421,460,263		713,922,406
Insurance liabilities/funds	40(c), (g)	18,435,986,457	4,195,313,260	22,631,299,717	17,211,879,541	4,357,422,714	21,569,302,255
Adjustment under the Valuation Rules	40(f)	-	-	-	-	-	-
		18,435,986,457		22,631,299,717	17,211,879,541		21,569,302,255
Deferred tax liabilities	40(e)	2,823,724	-	2,823,724	1,378,481	-	1,378,481

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

**FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

(b) Balance Sheet - continued

	Notes	2021			2020		
		HKFRS basis US\$	Adjustments US\$	HKIO basis US\$	HKFRS basis US\$	Adjustments US\$	HKIO basis US\$
Other liabilities							
Repurchase obligations and debt instruments liabilities		3,303,817,680	-	3,303,817,680	7,839,987,558	-	7,839,987,558
Creditors and accrued charges		396,853,251	-	396,853,251	494,023,444	-	494,023,444
Lease payable		1,527,879	-	1,527,879	196,108	-	196,108
Claims payable		234,940,468	-	234,940,468	211,709,669	-	211,709,669
Commissions payable		130,417,600	-	130,417,600	119,713,483	-	119,713,483
Policyholders' funds on deposit		428,734,329	-	428,734,329	375,956,754	-	375,956,754
Dividend payable		1,836,884,640	-	1,836,884,640	1,772,298,039	-	1,772,298,039
Amounts due to reinsurers and intermediate under reinsurance contracts ceded		168,586,271	-	168,586,271	56,664,481	-	56,664,481
Amounts due to non-insurer subsidiaries		-	-	-	2,468,951	-	2,468,951
Amounts due to an insurer subsidiary		-	-	-	-	-	-
Amount due to the ultimate holding company		-	-	-	12,444,218	-	12,444,218
Amount due to an intermediate holding company		2,993,055	-	2,993,055	2,996,288	-	2,996,288
Amounts due to fellow subsidiaries		106,230,260	-	106,230,260	120,440,429	-	120,440,429
Amount due to a related company		-	-	-	2,010,510	-	2,010,510
Financial liabilities in investment contracts	40(c)	1,562,913,539	(1,562,913,539)	-	1,649,246,196	(1,649,246,196)	-
Derivative financial instruments		954,391,720	-	954,391,720	521,885,280	-	521,885,280
Current tax payables		3,618,877	-	3,618,877	28,543,153	-	28,543,153
		9,131,909,569		7,568,996,030	13,210,584,561		11,561,338,365
Total equity and liabilities		30,915,447,272		30,926,336,120	33,845,302,846		33,845,941,507

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

40. ADJUSTMENTS UNDER THE HONG KONG INSURANCE ORDINANCE - continued

- (c) Under HKIO, deposits collected and benefit payments of investment contracts without DPF are accounted for through the statement of comprehensive income.
- (d) For products classified as investment contracts without DPF, HKAS 39 allowed origination costs to be deferred (“DOC”) and reported as an intangible asset in the balance sheet. Under the HKIO, the acquisition expenses are taken into account in accordance to section 15 of the HKIO Chapter 41E – Insurance (Determination of Long Term Liabilities) Rules, which sets out the maximum annual premium to be valued not to be increased by an amount greater than 150% of the annual premium. Having regard to the nature of the product, it is more relevant to not defer origination costs.
- (e) The adjustment refers to the deferred tax impact of the recognition of the DOC under HKIO basis.
- (f) In the case of certain assets and liabilities of the general insurance business, adjustments are made to the value of the assets or liabilities to comply with the Hong Kong Insurance (General Business) (Valuation) Rules (“the Valuation Rules”).

Under the Valuation Rules, fixed and variable interest investments held by the general and shareholders' funds, which are included in the categories of financial assets at fair value through profit and loss, are stated at 75% to 100% of the fair value at the balance sheet date. In addition, certain limits are applied to the admissible assets in accordance with the Valuation Rules. Adjustments to the valuation of the investments and other assets at the balance sheet date to comply with the Valuation Rules are dealt with in reserves.

Under the Valuation Rules, deferred acquisition costs are not admissible. Adjustments to the valuation of the insurance funds at the balance sheet date to exclude such deferred acquisition costs in accordance with the Valuation Rules are dealt with in reserves.

- (g) The adjustment represents the recognition of unassigned surplus as insurance liabilities under the HKIO basis.
 - (h) The adjustment represents the valuation difference of bonds classified under available-for sales under HKFRS basis and held-to-maturity under HKIO basis.
-

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

LONG TERM BUSINESS (INCLUDING RETIREMENT SCHEME MANAGEMENT CATEGORY III) BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG
INSURANCE ORDINANCE

	2021					2020				
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$
<u>LONG TERM ASSETS</u>										
<u>INTANGIBLE ASSETS</u>										
	97,556	-	-	97,556	146,509	-	-	146,509		
	97,556	-	-	97,556	146,509	-	-	146,509		
<u>PLANT AND EQUIPMENT</u>	2,062,782	-	-	2,062,782	2,376,476	-	-	2,376,476		
	2,062,782	-	-	2,062,782	2,376,476	-	-	2,376,476		
<u>RIGHT-OF-USE ASSETS</u>	1,453,854	-	-	1,453,854	170,694	-	-	170,694		
	1,453,854	-	-	1,453,854	170,694	-	-	170,694		
<u>INVESTMENTS IN SUBSIDIARIES</u>	962,006,559	160,921,189	-	1,122,927,748	1,677,970,667	185,026,884	-	1,862,997,551		
	962,006,559	160,921,189	-	1,122,927,748	1,677,970,667	185,026,884	-	1,862,997,551		
<u>INVESTMENTS IN ASSOCIATES</u>	126,140,007	954,613	-	127,094,620	78,079,446	98,232	-	78,177,678		
	126,140,007	954,613	-	127,094,620	78,079,446	98,232	-	78,177,678		

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

LONG TERM BUSINESS (INCLUDING RETIREMENT SCHEME MANAGEMENT CATEGORY III) BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE – continued

	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$
INVESTMENTS IN SECURITIES								
Fixed interest debt investments								
Government								
- listed	4,084,482,383	29,731,253	-	4,114,213,636	9,456,555,110	18,052,561	-	9,474,607,671
- unlisted	10,520,913	46,820	-	10,567,733	9,312,332	2,235,589	-	11,547,921
Others								
- listed	4,985,317,369	59,300,408	-	5,044,617,777	7,893,301,616	311,648,539	-	8,204,950,155
- unlisted	287,314,902	858,495	-	288,173,397	171,188,853	40,320,426	-	211,509,279
Floating interest debt investments								
- listed	3,789,369,095	161,763,751	-	3,951,132,846	3,560,944,417	18,578,331	-	3,579,522,748
- unlisted	-	2,934,566	-	2,934,566	94,920,319	1,080,446	-	96,000,765
Variable interest investments								
Listed equity shares	2,877,436,287	39,928,241	-	2,917,364,528	2,407,784,371	63,485,936	-	2,471,270,307
Unlisted unit trust investments	1,604,753,455	3,507,951,174	-	5,112,704,629	1,033,105,333	3,246,673,226	-	4,279,778,559
Private companies	-	149,985,096	-	149,985,096	-	172,029,230	-	172,029,230
	17,639,194,404	3,952,499,804	-	21,591,694,208	24,627,112,351	3,874,104,284	-	28,501,216,635
LOANS								
	170,081,278	2,139,253	-	172,220,531	164,241,120	2,118,184	-	166,359,304
	170,081,278	2,139,253	-	172,220,531	164,241,120	2,118,184	-	166,359,304
DEFERRED TAXATION								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

**FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

**LONG TERM BUSINESS (INCLUDING RETIREMENT SCHEME MANAGEMENT CATEGORY III) BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG
INSURANCE ORDINANCE – continued**

	2021				2020			
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$
OTHER ASSETS								
Direct premiums receivable	205,822,081	80,693,828	1,744,278	288,260,187	272,432,233	99,292,942	1,584,617	373,309,792
Debtors and prepayments, unsecured	127,558,363	382,243	6,536	127,947,142	178,839,492	4,298,504	859	183,138,855
Reinsurance assets	6,363,872,414	3,285,621	788,208	6,367,946,243	1,129,693,071	2,405,938	791,970	1,132,890,979
Amount due from reinsurers and intermediaries under reinsurance contracts ceded	4,369,773	-	-	4,369,773	-	-	-	-
Amount due from a non-insurer subsidiary	-	-	-	-	-	25	-	25
Amount due from an insurer subsidiary	9,790,682	9,409,732	-	19,200,414	257,549,650	-	-	257,549,650
Amount due from the immediate holding company	40,180,454	-	1,400,000	41,580,454	30,395,262	-	1,200,000	31,595,262
Amounts due from fellow subsidiaries	4,195	-	-	4,195	220,879	139,360	-	360,239
Derivative financial instruments	234,064,468	3,437,675	-	237,502,143	191,750,826	6,621,905	-	198,372,731
Deposits with banks								
Fixed term	58,805,064	12,726,801	-	71,531,865	165,705,582	27,786,110	-	193,491,692
Current accounts	612,099,293	64,032,255	-	676,131,548	730,385,493	82,467,694	-	812,853,187
Cash	2,271	-	-	2,271	2,284	-	-	2,284
	7,656,569,058	173,968,155	3,939,022	7,834,476,235	2,956,974,772	223,012,478	3,577,446	3,183,564,696
TOTAL LONG TERM ASSETS	26,557,605,498	4,290,483,014	3,939,022	30,852,027,534	29,507,072,035	4,284,360,062	3,577,446	33,795,009,543

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

LONG TERM BUSINESS (INCLUDING RETIREMENT SCHEME MANAGEMENT CATEGORY III) BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG
INSURANCE ORDINANCE – continued

	2021				2020			
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$
LONG TERM LIABILITIES AND SURPLUS								
CAPITAL AND RESERVE								
Interfund	964,732,799	(262,292,262)	(549,845)	701,890,692	749,103,009	(42,426,265)	(779,161)	705,897,583
	964,732,799	(262,292,262)	(549,845)	701,890,692	749,103,009	(42,426,265)	(779,161)	705,897,583
INSURANCE FUNDS								
Insurance liabilities, gross	15,881,099,086	4,104,982,303	54,636	19,986,136,025	14,901,512,855	3,959,012,908	15,729	18,860,541,492
Unassigned surplus	2,327,638,736	303,646,701	1,114,284	2,632,399,721	2,425,548,755	281,308,874	1,318,889	2,708,176,518
	18,208,737,822	4,408,629,004	1,168,920	22,618,535,746	17,327,061,610	4,240,321,782	1,334,618	21,568,718,010
DEFERRED TAXATION LIABILITIES								
	2,823,724	-	-	2,823,724	1,378,481	-	-	1,378,481
	2,823,724	-	-	2,823,724	1,378,481	-	-	1,378,481

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

**FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

**LONG TERM BUSINESS (INCLUDING RETIREMENT SCHEME MANAGEMENT CATEGORY III) BALANCE SHEET PRESENTED UNDER THE SCHEDULE 3 OF THE HONG KONG
INSURANCE ORDINANCE – continued**

	2021				2020			
	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$	Individual life and annuity US\$	Linked long term US\$	Retirement scheme management category III US\$	Total US\$
OTHER LIABILITIES								
Repurchase obligations and debt instruments liabilities	3,288,559,521	15,258,159	-	3,303,817,680	7,833,806,044	6,181,514	-	7,839,987,558
Creditors and accrued charges	339,925,076	53,468,831	24,778	393,418,685	444,152,760	46,889,351	24,912	491,067,023
Lease payable	1,527,879	-	-	1,527,879	196,108	-	-	196,108
Claims payable	191,752,155	7,928,956	1,479,584	201,160,695	164,949,944	7,272,554	1,489,716	173,712,214
Commissions payable	105,231,903	23,391,841	98,922	128,722,666	97,350,115	21,428,279	69,795	118,848,189
Policyholders' funds on deposit	427,203,079	1,531,250	-	428,734,329	374,667,772	1,288,982	-	375,956,754
Dividend payable	1,835,291,999	1,592,641	-	1,836,884,640	1,772,086,858	211,181	-	1,772,298,039
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	162,784,051	3,660,275	1,111,528	167,555,854	53,573,762	2,135,471	910,929	56,620,162
Amount due to non-insurer subsidiaries	-	-	-	-	2,468,976	-	-	2,468,976
Amount due to an insurer subsidiary	-	-	-	-	-	-	-	-
Amount due to the ultimate holding company	-	-	-	-	12,444,528	-	-	12,444,528
Amount due to the immediate holding company	-	-	-	-	-	-	-	-
Amount due to the intermediate holding company	2,992,877	-	-	2,992,877	2,996,110	-	-	2,996,110
Amounts due to fellow subsidiaries	103,004,552	2,341,783	605,135	105,951,470	119,221,666	232,562	526,637	119,980,865
Amount due to a related company	-	-	-	-	2,010,510	-	-	2,010,510
Derivative financial instruments	919,419,184	34,972,536	-	954,391,720	521,060,629	824,651	-	521,885,280
Taxation	3,618,877	-	-	3,618,877	28,543,153	-	-	28,543,153
	7,381,311,153	144,146,272	3,319,947	7,528,777,372	11,429,528,935	86,464,545	3,021,989	11,519,015,469
TOTAL LONG TERM LIABILITIES AND SURPLUS	26,557,605,498	4,290,483,014	3,939,022	30,852,027,534	29,507,072,035	4,284,360,062	3,577,446	33,795,009,543

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

GENERAL BUSINESS (INCLUDING SHAREHOLDERS' FUNDS) BALANCE SHEET PRESENTED UNDER THE
SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE

	<u>At 31.12.2021</u> US\$	<u>At 31.12.2020</u> US\$
<u>GENERAL BUSINESS (INCLUDING SHAREHOLDERS' FUNDS) ASSETS</u>		
INTANGIBLE ASSETS	90,492	114,335
Adjustment under section 10 of the Valuation Rules	(722)	(114,335)
	<u>89,770</u>	<u>-</u>
INVESTMENTS		
Fixed interest debt investments		
Government		
- listed	-	-
	<u>-</u>	<u>-</u>
Adjustment under section 4 of the Valuation Rules	-	-
Adjustment under section 8 of the Valuation Rules	-	-
	<u>-</u>	<u>-</u>
OTHER ASSETS		
Direct premiums receivable	17,152,312	17,132,110
Debtors and prepayments, unsecured	13,300,196	210,708
Reinsurance assets	260,651	413,233
Amounts due from reinsurers and intermediaries under reinsurance contracts ceded	152,234	3,800
Amount due from the ultimate holding company	308	310
Amount due from an insurer subsidiary	13	-
Amounts due from fellow subsidiaries	293,099	34,450
Derivative financial instruments	-	15,155
Deposits with banks		
Fixed term	42,996,876	25,899,176
Current accounts	7,818,947	7,223,446
Adjustment under section 14 of the Valuation Rules	(7,541,436)	-
	<u>74,433,200</u>	<u>50,932,388</u>
TOTAL GENERAL BUSINESS (INCLUDING SHAREHOLDERS' FUNDS) ASSETS	<u>74,522,970</u>	<u>50,932,388</u>

AXA CHINA REGION INSURANCE COMPANY (BERMUDA) LIMITED

FINANCIAL INFORMATION PREPARED UNDER THE INSURANCE ORDINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

GENERAL BUSINESS (INCLUDING SHAREHOLDERS' FUNDS) BALANCE SHEET PRESENTED UNDER THE
SCHEDULE 3 OF THE HONG KONG INSURANCE ORDINANCE - continued

	At 31.12.2021 US\$	At 31.12.2020 US\$
GENERAL BUSINESS LIABILITIES AND SHAREHOLDERS' FUNDS		
CAPITAL AND RESERVES		
Share capital	175,782,800	175,782,800
Reserves	554,976,007	538,253,941
Interfund	(701,890,692)	(705,897,583)
Adjustments under sections 4, 8, 9, 10 and 14 of the Valuation Rules	(7,542,158)	(114,335)
	(154,456,843)	(167,757,977)
	21,325,957	8,024,823
INSURANCE FUNDS		
Insurance liabilities, gross	12,763,971	584,245
Adjustment under section 10 of the Valuation Rules	-	-
	12,763,971	584,245
OTHER LIABILITIES		
Creditors and accrued charges	3,434,566	2,956,421
Claims payable	33,779,773	37,997,455
Commissions payable	1,694,934	865,294
Policyholders' funds on deposit	-	-
Amounts due to reinsurers and intermediaries under reinsurance contracts ceded	1,030,417	44,319
Amount due to insurer subsidiary	-	-
Amounts due to an intermediate holding company	178	179
Amounts due to the immediate holding company	-	-
Amounts due to fellow subsidiaries	493,174	459,652
	40,433,042	42,323,320
TOTAL GENERAL BUSINESS LIABILITIES AND SHAREHOLDERS' FUNDS	74,522,970	50,932,388