KPMG

FTL Capital Limited

(Incorporated in the British Virgin Islands with limited liability)

Financial Statements
for the year ended 31 December 2019

Contents

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Independent auditor's report to the members of FTL Capital Limited

(Incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the financial statements of FTL Capital Limited ("the Company") set out on pages 6 to 26, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report to the members of FTL Capital Limited (continued)

(Incorporated in the British Virgin Islands with limited liability)

Key audit matters (continued)

<table>
<tr><td colspan="2">Exposure to FTLife Insurance Company Limited</td></tr>
<tr><td colspan="2">Refer to notes 8 and 10 to the financial statements on page 20 - 23</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The statement of financial position of the Company comprises two substantial balances, an interest-bearing loan due from the immediate holding company, FTLife Insurance Company Limited, and interest-bearing notes issued to independent third party investors.

The Company has no material assets other than the loan due from FTLife Insurance Company Limited. To meet its financial obligations the Company is dependent on the timely payment of interest income from and the loan due from FTLife Insurance Company Limited.

The risk of a financial loss to the Company would be significant if FTLife Insurance Company Limited were to fail to meet its contractual loan obligations.

We identified the exposure to FTLife Insurance Company Limited as a key audit matter because the ability of the Company to meet its financial obligations to third party investors in respect of its interest-bearing notes is dependent on FTLife Insurance Company Limited's ability to meet its contractual loan obligations to the Company.</td><td>Our audit procedures to assess the exposure to FTLife Insurance Company Limited included the following:

• inspecting the audited consolidated financial statements of FTLife Insurance Company Limited for the year ended 31 December 2019 to assess the ability of FTLife Insurance Company Limited to meet its contractual loan obligations;

• discussing recent developments in the financial position and cash flows of FTLife Insurance Company Limited with the auditor thereof; and

• evaluating news and information relating to FTLife Insurance Company Limited based on publicly available information.</td></tr>
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Independent auditor's report to the members of FTL Capital Limited (continued)

(Incorporated in the British Virgin Islands with limited liability)

Information other than the financial statements and auditor's report thereon

The director is responsible for the other information. The other information comprises all the information included in the annual report, other than 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 the director for the financial statements

The director is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the director determines 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 director is 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 director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report to the members of FTL Capital Limited (continued)

(Incorporated in the British Virgin Islands with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement 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 director.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Independent auditor's report to the members of FTL Capital Limited (continued)

(Incorporated in the British Virgin Islands with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the director 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.

We also provide the director with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the director, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Arend Oldenziel.

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Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 MAY 2020

Statement of comprehensive income for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 $	2018 $
Interest income	3	83,725,683	83,739,166
Interest expense	4	(83,449,023)	(83,360,452)
Net interest income		276,660	378,714
Other income		-	86,239
Other operating expenses		(101,244)	(140,585)
Profit before tax	5	175,416	324,368
Tax	7	-	-
Profit and total comprehensive income for the year		175,416	324,368

The notes on pages 11 to 26 form part of these financial statements.

Statement of financial position at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 $	2018 $
Assets			
Amount due from the immediate holding company	8	1,938,422,900	1,949,008,910
Cash and cash equivalents	9	7,092,627	4,357,821
Total assets		1,945,515,527	1,953,366,731
Liabilities			
Interest-bearing notes	10	(1,952,315,077)	(1,960,344,697)
Accrued expenses		(79,200)	(76,200)
Total liabilities		(1,952,394,277)	(1,960,420,897)
NET LIABILITIES		(6,878,750)	(7,054,166)
EQUITY			
Issued capital	11	8	8
Accumulated losses		(6,878,758)	(7,054,174)
TOTAL SHAREHOLDER'S DEFICIT		(6,878,750)	(7,054,166)

The financial statements were approved and authorised for issue by the board of director on 20 MAY 2020

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) Director
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The notes on pages 11 to 26 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Issued capital $	*Accumulated losses* $	*Total shareholder's deficit* $
At 1 January 2018	8	(7,378,542)	(7,378,534)
Profit and total comprehensive income for the year	-	324,368	324,368
At 31 December 2018 and 1 January 2019	8	(7,054,174)	(7,054,166)
Profit and total comprehensive income for the year	-	175,416	175,416
At 31 December 2019	8	(6,878,758)	(6,878,750)

The notes on pages 11 to 26 form part of these financial statements.

Cash flow statement for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
		$	$
Cash flows from operating activities			
Profit for the year		175,416	324,368
Adjustments for:			
Interest income from the immediate holding company	3	(83,713,130)	(83,735,613)
Interest income from cash and cash equivalents	3	(12,553)	(3,553)
Interest expense	4	83,449,023	83,360,452
Exchange loss		(99,943)	(86,715)
		(201,187)	(141,061)
Decrease in amount due from the immediate holding company		28,368	106,989
Increase/(decrease) in accrued expenses		3,000	(79,211)
Interest received from cash and cash equivalents		12,553	3,553
Net cash outflow from operating activities		(157,266)	(109,730)
Cash flows from investing activity			
Interest received from the immediate holding company		83,771,213	83,830,813
Net cash inflow from investing activity		83,771,213	83,830,813

Cash flow statement
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	Note	*2019* $	*2018* $
Cash flows from financing activity			
Interest paid on interest-bearing notes	9	(80,879,141)	(80,936,648)
Net cash outflow from financing activity		(80,879,141)	(80,936,648)
Net increase in cash and cash equivalents		2,734,806	2,784,435
Cash and cash equivalents at beginning of year		4,357,821	1,573,386
Cash and cash equivalents at end of year		7,092,627	4,357,821

Analysis of balance of cash and cash equivalents

Cash and bank balances	7,092,627	4,357,821

The notes on pages 11 to 26 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate information

The Company was incorporated in the British Virgin Islands as a company with limited liability under the International Business Companies Act on 5 November 2004.

The Company's principal activity is bond issuance.

The Company is a wholly-owned subsidiary of FTLife Insurance Company Limited ("FTLife"), a company incorporated in Bermuda. In the opinion of the director, as at the date of the issuance of financial statements, the Company's ultimate holding company is NWS Holdings Limited, a company incorporated in Bermuda.

Bright Victory International Limited ("BVI") is the former immediate holding company of FTLife and a former intermediate holding company of the Company. On 1 November 2019, BVI completed the sale of FTLife and its subsidiaries to NWS Holdings Limited.

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars which is also the Company's functional currency.

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net liabilities as at 31 December 2019, as FTLife has confirmed that it will provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months from 31 December 2019.

2.2 Impact of new interpretations and amendments to Hong Kong Financial Reporting Standards

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. None of the developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. None of these are relevant to the Company.

2.4 Summary of significant accounting policies

(a) Interest income

When it is probable that the economic benefits will flow to the Company and when the income can be measured reliably, interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(b) Investments and other financial assets

The Company's policies for financial assets are set out below.

Financial assets are recognised/derecognised on the date the Company commits to purchase/sell the asset. They are initially stated at fair value plus directly attributable transaction costs, except for those financial assets measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. These financial assets are subsequently accounted for as follows.

Assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from the financial assets is calculated using the effective interest method.

2.4 Summary of significant accounting policies (continued)

(c) Credit losses and impairment of financial assets

An entity can reflect risks specific to the cash flows in either the discount rate or the cash shortfalls being discounted.

The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, and amount due from the immediate holding company).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2.4 Summary of significant accounting policies (continued)

(c) Credit losses and impairment of financial assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. There is a rebuttable presumption that default does not occur later than 90 days past due unless the Company has reasonable and supportable information to support a more lagging default criterion. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

2.4 Summary of significant accounting policies (continued)

(c) Credit losses and impairment of financial assets (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(d) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(e) Financial liabilities at amortised cost

Financial liabilities representing interest-bearing notes and accrued expenses are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case it is stated at cost.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.4 Summary of significant accounting policies (continued)

(f) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss for the year.

(g) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2.4 Summary of significant accounting policies (continued)

(h) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(j) Borrowing costs

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred.

(k) Related parties

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

2.4 Summary of significant accounting policies (continued)

(k) Related parties (continued)

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

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

3 Interest income

	2019 $	*2018* $
Interest income from the immediate holding company	83,713,130	83,735,613
Interest income from cash and cash equivalents	12,553	3,553
	83,725,683	83,739,166

4 Interest expense

	2019 $	*2018* $
Interest expense on interest-bearing notes	83,449,023	83,360,452

5 Profit before tax

The Company's profit before tax is arrived at after charging/(crediting):

	2019 $	*2018* $
Auditors' remuneration	60,300	58,000
Net foreign exchange	(11,674)	5,528

The amount of auditors' remuneration is solely for statutory audit services. No non-audit fee was paid to auditors during the year ended 2019 and 2018.

6 Director's remuneration

The director did not receive any remuneration in respect of services rendered to the Company during the year (2018: Nil).

7 Tax

Hong Kong profits tax has not been provided as the Company did not generate any assessable profits arising in Hong Kong for the year (2018: Nil).

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2019		2018	
	$	%	$	%
Profit before tax	175,416		324,368	
Notional tax on profit before tax	28,944	16.5	53,521	16.5
Tax effect of utilisation of previously unrecognised tax losses	(28,944)	(16.5)	(53,521)	(16.5)
	-	-	-	-

The Company has accumulated tax losses arising in Hong Kong of $6,894,821 (2018: $7,070,237) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

8 Amount due from the immediate holding company

On 26 April 2013, a loan of US$250,000,000 was issued to the immediate holding company and is unsecured, interest-bearing at 4.215% per annum and repayable on 25 April 2023.

Interest is payable semi-annually in arrears on 25 April and 25 October in each year. As at 31 December 2019, the accrued interest amounts to HK$15,502,758 (2018: HK$15,587,351).

The loan of US$250,000,000 has a fair value of $1,968,723,780 as at 31 December 2019 (2018: $1,916,241,026) and is classified as level 2 financial instrument in the fair value hierarchy (2018: level 2). The fair value of the loan is determined based on its discounted cashflow with the credit risk of the issuer taken into consideration. Further details of fair value classification are discussed in note 10 to the financial statements.

Except for the above, the amounts due from the immediate holding company are unsecured, interest-free and are repayable on demand. Their carrying amounts reasonably approximate to their fair values as at the balance sheet date.

9 Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Interest-bearing notes $ (Note 10)	*Total* $
At 1 January 2019	1,960,344,697	1,960,344,697
Changes from financing cash flows:		
Interest paid on interest-bearing notes	(80,879,141)	(80,879,141)
Total changes from financing cash flows	(80,879,141)	(80,879,141)
Exchange adjustments	(10,599,502)	(10,599,502)
Other changes:		
Interest expense (Note 4)	83,449,023	83,449,023
Total other changes	83,449,023	83,449,023
At 31 December 2019	1,952,315,077	1,952,315,077

9 Cash and cash equivalents (continued)

	Interest-bearing notes $ (Note 10)	*Total* $
At 1 January 2018	1,954,205,119	1,954,205,119
Changes from financing cash flows:		
Interest paid on interest-bearing notes	(80,936,648)	(80,936,648)
Total changes from financing cash flows	(80,936,648)	(80,936,648)
Exchange adjustments	3,715,774	3,715,774
Other changes:		
Interest expense (Note 4)	83,360,452	83,360,452
Total other changes	83,360,452	83,360,452
At 31 December 2018	1,960,344,697	1,960,344,697

10 Interest-bearing notes

	2019 $	*2018* $
4.125% notes due 2023 (Note)	1,952,315,077	1,960,344,697

Note: On 25 April 2013, the Company issued an aggregate principal amount of US$250 million (approximately $1,940 million) of guaranteed bonds with a coupon rate of 4.125% (the "Bonds II") due 25 April 2023 to independent third party investors, whereby the Company raised approximately $1,915,364,100 (US$246,790,284), net of expenses.

10 Interest-bearing notes (continued)

Interest on the Bonds II is repayable on 25 April and 25 October of each year, beginning on 25 October 2013. The Bonds II are fully and unconditionally guaranteed by the immediate holding company. The immediate holding company's guarantee is an unsecured and unsubordinated obligation which ranks equally with all of its other existing and future unsecured and unsubordinated obligations. As required by the insurance laws of Hong Kong and Bermuda, the immediate holding company's guarantee is effectively junior to the liabilities of its long term business, to the extent of the assets maintained by the immediate holding company in respect of its long term business. The Bonds II are listed on the Main Board of the Singapore Exchange Securities Trading Limited and under the provisions of Regulation S of the United States Securities Act.

The Bonds II will fully mature on 25 April 2023 and thus are not repayable within the next twelve months. The effective interest rate of the Bonds II is 4.29% per annum. The amortised cost of the Bonds II was $1,937,585,997 as at 31 December 2019 (2018: $1,945,535,245). The accrued interest charges of the Bond II were $14,729,080 (2018: $14,809,452).

At 31 December 2019, the fair value of the Bonds II was $1,990,597,003 (2018: $1,929,411,900).

As defined in HKFRS 13, *Fair value measurement*, fair value is required to be categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market value are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

For the purpose of HKFRS 13, the fair value of Bonds II is determined based on recent price offered by third party in the market. As Bonds II is not actively traded in the market during 2019, the fair value of Bonds II is categorised as Level 2 as at 31 December 2019 (2018: Level 2).

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy at each reporting date.

11 Share capital

	2019 $	2018 $
Authorised:		
50,000 ordinary shares of US$1 each	390,000	390,000
Issued and fully paid:		
1 ordinary share of US$1 each	8	8

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

12 Related party transaction

(a) Details of the material transaction with a related party are as follows:

	2019 $	2018 $
Interest income from the immediate holding company (Note (i))	83,713,130	83,735,613

Note:

(i) During the year, the Company received interest income from the immediate holding company. Interest is charged at 4.215% per annum on a loan of US$250,000,000 due from the immediate holding company.

(b) Compensation of key management personnel of the Company

The Company's key management personnel is the director. As disclosed in note 6 above, the director did not receive any remuneration from the Company for services rendered during the year (2018: Nil).

13 Financial risk management objectives and policies

The Company's principal financial instruments comprise loans to the immediate holding company, cash and cash equivalents, interest bearing notes and accrued expenses. The main purpose of these financial instruments is to raise finance for the operations of its immediate holding company.

The Company had not entered into any derivative transactions during the year. It is, and has been, throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is liquidity risk. The board reviews and agrees policies for managing this risk and it is summarised below.

(a) Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents and amounts due from the immediate holding company, the Company's exposure to credit risk arises from defaults of the counterparties (which refer to licensed banks in case of cash at banks), with a maximum exposure equal to the carrying amount of these instruments. The Company considers that the bank with which it has kept bank balances is generally recognised as highly creditworthy and that the risk of default by this bank is considered remote and minimal. The amount due from the immediate holding company is regularly reviewed and the Company considers credit risk arising from the balance to be low.

(b) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its current obligations as they fall due. The Company considered that the liquidity risk is minimal as the immediate holding company has confirmed its intention to provide continuous financial support to the Company to meet its liabilities as and when they fall due.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, was as follows:

2019

	Contractual undiscounted cashflows					
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total	Carrying amount
	$	$	$	$	$	$
Interest-bearing notes	-	-	80,340,441	2,133,297,022	2,213,637,463	1,952,315,077
Accrued expenses	-	79,200	-	-	79,200	79,200
	-	79,200	80,340,441	2,133,297,022	2,213,716,663	1,952,394,277

2018

	Contractual undiscounted cashflows					
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total	Carrying amount
	$	$	$	$	$	$
Interest-bearing notes	-	-	80,778,828	2,225,716,446	2,306,495,274	1,960,344,697
Accrued expenses	-	76,200	-	-	76,200	76,200
	-	76,200	80,778,828	2,225,716,446	2,306,571,474	1,960,420,897

13 Financial risk management objectives and policies (continued)

(c) Foreign currency risk

The Company has exposure to foreign currency risk, which arise from the interest-bearing notes issued in United States dollars. The Company arranged unsecured interest-bearing loans with the immediate holding company, which are also denominated in United States dollars. In respect of the above arrangement, the management considers that the net exposure is kept to an acceptable level.

(d) Capital management

The primary objective of the Company's capital management is to ensure sufficient financial assets are maintained in order to meet its financial liabilities as and when they fall due, and to safeguard the Company's ability to continue as a going concern. The Company has a total shareholder's deficit of \$6,878,750 (2018: \$7,054,166) as at the end of the reporting period and the Company's daily operation is supported by the immediate holding company, which has consolidated net assets attributable to shareholders of \$18,398,910,000 (2018: \$12,773,907,000) as at the end of the reporting period.

Additional disclosure - Unaudited

Additional disclosures in response to the requirements of Singapore Exchange Securities Trading Listing Manual are set out below.

Corporate Information

Registered office:

Craigmuir Chambers, Road Town,
Tortola VG 1110, British Virgin Islands

Registrar:

BNP Paribas Securities Services, Luxembourg Branch

Review of operating and financial performance

The Company had no subsidiaries during the year. The Company's primary purpose is to act as a financing subsidiary of its controlling shareholder, FTLife Insurance Company Limited ("FTLife"). It remained as a wholly owned subsidiary of FTLife during the year. The Company has not engaged, since its incorporation, in any material activities other than those incidental to the issue of US$250,000,000 4.125% notes due 2023.

Save as any likewise (re)financing project similar to the above US$250,000,000 4.125% notes due 2023 as the Company may issue from time to time, it is the management's intention that the Company will not engage in active business in the foreseeable future.

The director of the Company is Mr. YANG Gerard Tak Ho. The secretary of the Company is Mr. CHEUNG Sum Sam.

Additional disclosure - Unaudited (continued)

Review of operating and financial performance (continued)

YANG Gerard Tak Ho

Mr. Yang is a Director of the Company, and joined FTLife in December 2016 as Chief Administration Officer to oversee Finance, Legal & Compliance, Distribution Service & Support and Corporate Services. Since 26 January 2018, Mr. Yang has been redesignated the CEO of FTLife.

As a seasoned finance professional, Mr. Yang has more than 20 years of local and overseas experience in the insurance industry covering financial planning and control as well as managing operations.

Mr. Yang holds a bachelor degree in Economics. He is also a Certified Practising Accountant.

CHEUNG Sum Sam

Mr. Sam Cheung has over 30 years working experience in financial management. He was the Chief Financial Officer of Agile Group Holdings Limited from 2013 to 2019 and was mainly responsible for financial management, accounting, capital markets, corporate affairs and investor relations. He was an Executive Director of Lai Sun Development Company Limited, eSun Holdings Limited, Lai Fung Holdings Limited and Petroleum Holdings Limited (all listed on the Hong Kong Stock Exchange), from 2009 to 2012. Mr. Cheung also enjoys rich working experience in life insurance industry. He was the Chief Financial Officer and Executive Director of Pacific Century Insurance Company Limited (which is currently known as FTLife Insurance Company Limited) from 2002 to 2006.

Mr. Cheung holds a Bachelor of Science (Economics) degree in Accounting and Finance from the London School of Economics and Political Science, University of London. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Additional disclosure - Unaudited (continued)

Risk management

The risk management policies and processes of the Company are set out in note 13 to the financial statements.

Material contracts

The existing loan due from FTLife, at the end of the year and the repayment of loan by FTLife during the year were more particularly set out in note 8 and note 12 to the financial statements regarding "Amount due from the immediate holding company" and "Related party transactions" respectively.

Throughout the year, FTLife, the controlling shareholder of the Company, continued to provide the guarantee for the Company in relation to the 4.125% notes due 25 April 2023. Details are set out in note 10 to the financial statements regarding "Interest-bearing notes".

Save from the foregoing, no contracts of significance to which the Company was a party and in which the Chief Executive Officer, each director or controlling shareholder 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.

Director's interests in shares and debentures

At no time during the year was the Company a party to any arrangement to enable the Company's director to acquire benefits by means of the acquisition of shares in or debentures of the Company.

There was no change in director's interests in shares in or debentures of the Company between the end of the financial year and 21 January 2020.

Opinion on Adequacy of the Company's Internal Controls

The board is of the opinion that the Company's internal controls are adequate to address financial, operational and compliance risks.

Additional disclosure - Unaudited (continued)

Shareholders' information as at 30 April 2020:

Ordinary shareholdings

Issued and paid-up capital	: US$1 ($8 equivalents)
Class of shares	: Ordinary shares
Voting rights	: One vote per share

The one ordinary share (being the entire issued share capital) is held entirely by FTLife, the immediate holding company of the Company.

Interested person transactions

Save from the existing loan due from FTLife at the year end, repayment of loan during the year and the guarantee provided by FTLife as disclosed above under the heading of "Material contracts", there has been no interested person transaction happened during the financial year under review.