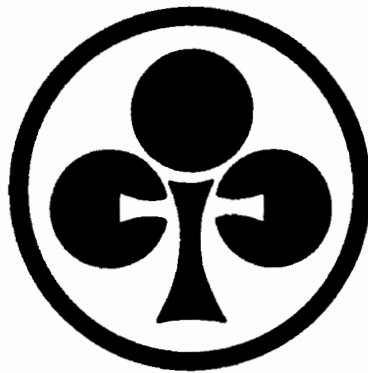


THE PACIFIC LIFE ASSURANCE CO., LTD.

(INCORPORATED IN HONG KONG IN 1960)



Reports and Financial Statements

For the year ended 31st December, 2025

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

CORPORATE INFORMATION

Directors	Kao Hsueh Yun, Vice Chairman Hui Siu Kwong, BBA, Managing Director and Chief Executive Officer Lee King On Lei Siu Wai, MSC, CPA, FCCA Tang Kin Yee
Secretary	Ho Yin Ping, BA, FCG, HKFCG
Registered office and principal place of business	10th Floor, Dominion Centre 43-59 Queen's Road East Wanchai Hong Kong
Independent auditor	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Bankers	Bank of Communications (Hong Kong) Limited The Bank of East Asia, Limited DBS Bank (Hong Kong) Limited Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited OCBC Bank (Hong Kong) Limited UBS AG, Hong Kong Branch Bank of Singapore Limited, Hong Kong Branch

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of The Pacific Life Assurance Company, Limited (the "Company") for the year ended 31 December 2025.

PRINCIPAL ACTIVITY

The principal activity of the Company is life assurance business.

There have been no significant changes in this activity compared with the previous year.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 December 2025 and the financial position of the Company at that date are set out in the financial statements on pages 10 to 119.

The directors do not recommend the payment of a dividend for the year.

BUSINESS REVIEW

No business review is presented for the year ended 31 December 2025 as the Company has been able to claim an exemption under section 388(3) of the Companies Ordinance (Cap. 622) since it is a wholly-owned subsidiary of The Pacific Insurance Company, Limited.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

DIRECTORS

The names of the directors of the Company at the date of this report are as set out on page 2.

Change in directors

There were no changes in directors during the year or up to the date of this report.

Rotation of directors

In accordance with the Company's Articles of Association, all the directors other than the permanent director retire and, being eligible, offer themselves for re-election.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

DIRECTORS' REPORT - Continued

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, the Company paid management fee of HK\$1,440,000 (2024: HK\$1,152,000) and insurance expenses of HK\$15,719 (2024: HK\$12,461) to the Company's holding Company, The Pacific Insurance Company, Limited of which Ms Kao Hsueh Yun is a shareholder and a director.

Apart from the foregoing and the directors' remuneration as disclosed in Note 10, no other director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company, its holding company or any of its fellow subsidiaries was a party during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for the benefit of the directors during the year ended 31 December 2025.

OTHER MATTER

There are no other disclosures required under the Hong Kong Insurance Ordinance.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

DIRECTORS' REPORT - Continued

AUDITOR

BDO Limited retires and a resolution of its re-appointment will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the directors

Hui Siu Kwong
Managing Director

Hong Kong, 22 April 2026



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永安中心25樓

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Pacific Life Assurance Company, Limited ("the Company") set out on pages 10 to 119, which comprise the statement of financial position as at 31 December 2025, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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*" section of our report. We are independent of the Company in accordance with the HKICPA's "*Code of Ethics for Professional Accountants*" ("the Code"), as applicable to auditors of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

Other information - Continued

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

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

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

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

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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements - Continued

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements - Continued

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.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate Number: P05443

Hong Kong, 22 April 2026

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 HK\$	2024 HK\$
Insurance revenue	4	29,775,008	30,125,512
Insurance service expenses	5	<u>(18,952,251)</u>	<u>(15,413,929)</u>
Insurance service result before reinsurance		10,822,757	14,711,583
Allocation of reinsurance premium paid		(20,744,962)	(20,169,787)
Amounts recovered from reinsurance		<u>18,313,716</u>	<u>16,218,331</u>
Net expenses from reinsurance contracts held	6	<u>(2,431,246)</u>	<u>(3,951,456)</u>
Insurance service result		<u>8,391,511</u>	<u>10,760,127</u>
Interest revenue	7	5,298,717	5,548,570
Other investment gains	7	638,248	733,114
Net reversal of impairment loss on investments	15(c)	6,659	12,710
Fair value loss on investment properties	14	<u>(320,000)</u>	<u>(5,700,000)</u>
Net investment income		<u>5,623,624</u>	<u>594,394</u>
Net finance expenses from insurance contracts	9	(6,591,407)	(1,583,345)
Net finance income from reinsurance contracts held	9	<u>4,127,268</u>	<u>906,934</u>
Total insurance finance expenses		<u>(2,464,139)</u>	<u>(676,411)</u>
Net insurance and investment result		<u>11,550,996</u>	<u>10,678,110</u>
Other income		1,425,334	1,318,734
Other operating expenses		<u>(4,210,839)</u>	<u>(4,916,405)</u>
Profit before tax	8	<u>8,765,491</u>	<u>7,080,439</u>
Income tax expense	12	<u>(62,178)</u>	<u>(56,523)</u>
Profit for the year		<u>8,703,313</u>	<u>7,023,916</u>

The accompanying Material Accounting Policy Information and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 HK\$	2024 HK\$
Profit for the year	8,703,313	7,023,916
Other comprehensive income, net of tax:		
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Change in fair value of equity securities designated at fair value through other comprehensive income	<u>2,092,103</u>	<u>2,098,807</u>
Total comprehensive income for the year	<u>10,795,416</u>	<u>9,122,723</u>

The accompanying Material Accounting Policy Information and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025**

	Notes	As at 31 December 2025 HK\$	As at 31 December 2024 HK\$
Assets			
Property, plant and equipment	13	114,579	137,664
Investment properties	14	65,980,000	66,300,000
Debt securities at amortised cost	15(a)	101,318,337	80,006,847
Equity securities designated at fair value through other comprehensive income	15(b)	8,503,577	11,676,512
Insurance contract assets	18	-	-
Reinsurance contract assets	18	67,400,010	61,077,530
Other receivables, deposits and prepayments	15(d)	1,781,660	1,668,803
Bank deposits with original maturity over three months	16	27,781,163	28,530,809
Cash and cash equivalents	16	20,846,578	26,934,977
Current tax recoverable		1,846	-
Total assets		293,727,750	276,333,142
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	17	50,000,000	50,000,000
Reserves		128,007,395	117,211,979
Total equity		178,007,395	167,211,979
<i>Liabilities</i>			
Insurance contract liabilities	18	111,428,197	103,588,285
Reinsurance contract liabilities	18	194,946	155,489
Other payables and accruals	19	4,097,212	5,375,778
Current tax payable		-	1,611
Total liabilities		115,720,355	109,121,163
Total equity and liabilities		293,727,750	276,333,142

Approved and authorised for issue by the directors on 22 April 2026.

Hui Siu Kwong
Managing Director

Lei Siu Wai
Director

The accompanying Material Accounting Policy Information and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Share capital HK\$	Retained earnings HK\$	Fair value reserve (non-recycling) HK\$	Total HK\$
1 January 2024	50,000,000	110,909,527	(2,820,271)	158,089,256
Profit for the year	-	7,023,916	-	7,023,916
Other comprehensive income	-	-	2,098,807	2,098,807
Total comprehensive income for the year	-	7,023,916	2,098,807	9,122,723
31 December 2024	50,000,000	117,933,443	(721,464)	167,211,979
Profit for the year	-	8,703,313	-	8,703,313
Other comprehensive income	-	-	2,092,103	2,092,103
Disposal of equity securities designated at FVTOCI	-	1,598,008	(1,598,008)	-
Total comprehensive income for the year	-	10,301,321	494,095	10,795,416
31 December 2025	<u>50,000,000</u>	<u>128,234,764</u>	<u>(227,369)</u>	<u>178,007,395</u>

Note:

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income ("FVTOCI") that are held at the end of the reporting period under HKFRS 9 (see Note 3.1 g). The amount accumulated in other comprehensive income remains in this reserve until the equity securities designated at FVTOCI are disposed of. At the time of disposal, the amount accumulated in this reserve is transferred to retained earnings.

The accompanying Material Accounting Policy Information and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 HK\$	2024 HK\$
Cash flows from operating activities			
Profit before tax		8,765,491	7,080,439
Adjustments for:			
Amortisation of debt securities at amortised cost	15(c)	(204,848)	(138,408)
Reversal of impairment loss for debt securities at amortised cost	15(c)	(6,659)	(12,710)
Depreciation of property, plant and equipment	13	55,785	52,775
Dividend income from equity securities designated at FVTOCI	7	(638,248)	(733,114)
Fair value loss on investment properties	14	320,000	5,700,000
Interest income	7	(5,093,869)	(5,548,570)
		3,197,652	6,400,412
Net change in insurance contract assets/liabilities		7,839,912	3,667,271
Increase in other receivables, deposits and prepayments		(34,617)	(101,674)
Net change in reinsurance contract assets/liabilities		(6,283,023)	(7,513,989)
(Decrease)/increase in other payables and accruals		(1,278,566)	745,221
Cash generated from operations		3,441,358	3,197,241
Hong Kong profits tax paid		(65,635)	(56,884)
Net cash generated from operating activities		<u>3,375,723</u>	<u>3,140,357</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 HK\$	2024 HK\$
Cash flows from investing activities			
Decrease in bank deposits with original maturity over three months		749,646	1,014,458
Dividends received		638,248	733,114
Interest received		5,015,629	5,770,267
Acquisition of property, plant and equipment	13	(32,700)	(21,330)
Acquisition of debt securities at amortised cost	15(c)	(34,566,865)	(23,525,423)
Proceeds from redemption of debt securities at amortised cost	15(c)	13,466,882	15,821,904
Proceeds from disposal equity securities designated at FVTOCI	15(c)	5,265,038	-
Net cash used in investing activities		<u>(9,464,122)</u>	<u>(207,010)</u>
Net (decrease)/increase in cash and cash equivalents		(6,088,399)	2,933,347
Cash and cash equivalents at beginning of year		<u>26,934,977</u>	<u>24,001,630</u>
Cash and cash equivalents at end of year	16	<u><u>20,846,578</u></u>	<u><u>26,934,977</u></u>

The accompanying Material Accounting Policy Information and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1. GENERAL

The Pacific Life Assurance Company, Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its principal activity is life assurance business.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention except for investment properties and equity securities designated at FVTOCI which have been measured at fair value as at the end of the reporting period, and are presented in the Hong Kong dollars (“HK\$”), which is the Company’s functional currency.

2.2 Application of new and amendments to HKFRS Accounting Standards

The Company has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the financial statements:

Amendments to HKAS 21

The Effects of Changes in Foreign Exchange
Rates - Lack of exchangeability

The application of the amendments to HKFRS Accounting Standards in the current year had no material impact on the Company’s financial positions and performance for the current and prior year and/or on the disclosures set out in these financial statements.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The accounting policies applied in the preparation of these financial statements are set out below.

3.1 Material accounting policy information

a) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year of the retirement or disposal.

b) Investments and other financial assets

Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit and loss ("FVTPL")) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in income statement.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Classification and subsequent measurement of financial assets - Continued

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset, the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

In addition, the Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Classification and subsequent measurement of financial assets - Continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity securities designated at FVTOCI

Equity securities designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Classification and subsequent measurement of financial assets - Continued

(ii) Equity securities designated at FVTOCI - Continued

The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity securities, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the income statement.

Impairment of financial assets

The Company recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including debt securities at amortised cost, accounts and other receivables, bank deposits with original maturity over 3 months and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment done is based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Impairment of financial assets - Continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Impairment of financial assets - Continued

(i) Significant increase in credit risk - Continued

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above, the Company considers that default has occurred when a financial asset is 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Impairment of financial assets - Continued

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in income statement.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Impairment of financial assets - Continued

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped as follows:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Impairment of financial assets - Continued

(v) Measurement and recognition of ECL - Continued

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Company recognises an impairment gain or loss in income statement for all financial instruments by adjusting their carrying amounts through a loss allowance account.

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 primarily derecognised (i.e., removed from the partnership's statement of financial position) when:

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

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

b) Investments and other financial assets - Continued

Financial assets - Continued

Derecognition of financial assets - Continued

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in income statement.

On derecognition of equity securities which the Company has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the available-for-sale financial assets investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance Contracts

i) Definition of insurance contract

Insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insured event is an uncertain future event covered by an insurance contract that creates insurance risk. Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

The Company applies HKFRS 17 to:

- (a) insurance contracts, the Company issues;
- (b) reinsurance contracts the Company holds.

Reinsurance contract is an insurance contract issued by the reinsurer to compensate the cedent for claims arising from one or more insurance contracts issued by the cedent.

Investment contract with discretionary participation features is a financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts:

- (a) that are expected to be a significant portion of the total contractual benefits;
- (b) the timing or amount of which are contractually at the discretion of the issuer; and
- (c) that are contractually based on the returns on specified items.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance Contracts - Continued

ii) Identification of insurance contract

The Company assesses the significance of insurance risk contract by contract. A contract is an insurance contract only if it transfers significant insurance risk. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations are extinguished (i.e., discharged, cancelled or expired), unless the contract is derecognised because of a contract modification.

Below assessments are performed to determine whether the insurance risk is significant:

- (a) Insurance risk is significant if, and only if, an insured event could cause the Company to pay additional amounts that are significant in any single scenario that has commercial substance, even if the insured event is extremely unlikely, or even if the expected probability-weighted present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The additional amounts refer to the present value of amounts that exceed those that would be payable if no insured event had occurred. Those additional amounts include claims handling and assessment costs.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance Contracts - Continued

ii) Identification of insurance contract - Continued

- (b) In addition, a contract transfers significant insurance risk only if there is a scenario that has commercial substance in which the Company has a possibility of a loss on a present value basis. However, even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

iii) Combination of insurance contracts

A set or series of insurance contracts with the same or a related counterparty may achieve, or be designed to achieve, an overall commercial effect. In order to report the substance of such contracts, the Company treats the set or series of contracts as a whole.

iv) Separating components from an insurance contract

Some insurance contracts may have other components in addition to the insurance coverage service. Such components could be those listed below:

- (a) embedded derivatives that should be separated in accordance with HKFRS 9;
- (b) distinct investment components, except for those that can meet the definition of investment contract with discretionary participation features;
- (c) promises to transfer distinct goods or services other than insurance contract services.

The Company has assessed its products to determine whether there is any such component and whether they can be separated out. Should they be non-distinct, these components are accounted for together with the insurance component by applying HKFRS 17.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

iv) Separating components from an insurance contract - Continued

Separating embedded derivatives

The Company has not identified any embedded derivatives in an insurance contract.

Separating investment components

The Company issues certain life insurance policies that have an investment component. Investment component is the amounts that an insurance contract requires the Company to repay to a policyholder in all circumstances, regardless of whether an insured event occurs.

An investment component is distinct if, and only if, both the following conditions are met:

- (a) the investment component and the insurance component are not highly interrelated. An investment component and an insurance component are highly interrelated if, and only if:
 - (i) the Company is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, the two components are highly interrelated; or
 - (ii) the policyholder is unable to benefit from one component unless the other is also present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the two components are highly interrelated; and
- (b) contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

The Company has non-distinct investment components within the insurance policies and therefore will apply HKFRS 17 together with insurance contracts.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

iv) Separating components from an insurance contract - Continued

Separating goods or non-insurance services

A good or service other than an insurance contract service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. A good or service other than an insurance contract service that is promised to the policyholder is not distinct if:

- (a) the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract;
- (b) and the Company provides a significant service in integrating the good or service with the insurance components.

The Company has not identified any distinct goods or non-insurance services.

v) Level of aggregation of insurance contracts

The Company identifies portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. The Company divides portfolios of insurance contracts into groups of insurance contracts and applies the recognition and measurement requirements to the groups of insurance contracts. Insurance contracts issued more than one year apart are not included in the same group. The Company determines the group to which contracts belong by considering individual contracts. If the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same group, the Company may measure the set of contracts to determine the group.

The Company divides a portfolio of insurance contracts issued into a minimum of:

- (a) a group of contracts that are onerous at initial recognition, if any;
- (b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- (c) a group of the remaining contracts in the portfolio, if any.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vi) Recognition of insurance contracts

The Company recognises a group of insurance contracts it issues from the earliest of the following:

- (a) the beginning of the coverage period of the group of contracts;
- (b) the date when the first payment from a policyholder in the group becomes due; and
- (c) for a group of onerous contracts, when the group becomes onerous.

For individual contract that meet one of the criteria set out above, the Company determines the group to which it belongs at initial recognition and does not reassess the composition of the groups subsequently. Coverage period is the period during which the Company provides insurance contract services.

vii) Measurement of insurance contracts

General model

Measurement on initial recognition

On initial recognition, the Company shall measure a group of insurance contracts at the total of (a) the fulfilment cash flows within the contract boundary, which comprise estimates of future cash flows, adjusted to reflect the time value of money and risk adjustment for non-financial risk; and (b) the CSM.

Fulfilment Cash Flow

When the Company estimates the future cash flows at a higher level of aggregation, the Company allocates the resulting fulfilment cash flows to individual groups of contracts. The estimates of future cash flows shall:

- (a) be unbiased probability-weighted mean;
- (b) be consistent with observable market prices for market variables;
- (c) be current - the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future;
- (d) be explicit - the Company shall estimate the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurement on initial recognition - Continued

Contract boundary

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

- (a) the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- (b) the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurement on initial recognition - Continued

Discount Rates

The Company uses appropriate discount rate to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows shall:

- (a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- (b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurement on initial recognition - Continued

Risk Adjustment

Risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The Company uses the value at risk (VaR) approach to quantify risk adjustment.

Contractual Service Margin

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group of contracts is a net cash inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. Should the total amount represent net cash outflows, the Company recognises a loss in profit or loss. The CSM will therefore be nil.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurement on initial recognition - Continued

Contractual Service Margin - Continued

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The liability for incurred claims comprises the fulfilment cash flows related to current and past service allocated to the group at that date.

For insurance contracts without direct participation features, the carrying amount of the CSM of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

- (a) the effect of any new contracts added to the group.
- (b) interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates determined at the date of initial recognition of a group of contracts, applied to nominal cash flows that do not vary based on the returns on any underlying items.
- (c) the changes in fulfilment cash flows relating to future service, except that such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or except that such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- (d) the effect of any currency exchange differences on the CSM.
- (e) the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Subsequent measurement - Continued

The Company recognises the reduction in the liability for remaining coverage (LRC) because of services provided in the period as insurance revenue. The Company recognises the increase in the liability for incurred claims (LIC) because of claims and expenses incurred in the period and any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses as insurance service expenses. Insurance revenue and insurance service expenses presented in profit or loss has excluded any investment components.

At the end of the reporting period, the Company updates the fulfilment cashflow for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables. The Company has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions.

The Company does not disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses for the period and include the entire change in the risk adjustment for non-financial risk as part of the insurance service result.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Subsequent measurement - Continued

The Company makes accounting policy choices to portfolios of insurance contracts between:

- (a) including insurance finance income or expenses for the period in profit or loss; and
- (b) disaggregating insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The difference between the insurance finance income or expenses and the total insurance finance income or expenses for the period is included in other comprehensive income.

The Company has not elected to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include insurance contracts that are expected to arise from renewals of those contracts in that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

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NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurements for onerous insurance contracts

If a group of insurance contracts is onerous at the date of initial recognition, or if additional loss caused by contracts added to the group of onerous contracts, the Company recognises a loss as insurance service expenses in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for remaining coverage for the group being equal to the fulfilment cash flows.

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if meets one of the following conditions, the Company recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage:

- (a) the amount of unfavourable changes relating to future service in the fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk exceed the carrying amount of the CSM.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

General model - Continued

Measurements for onerous insurance contracts - Continued

After the Company has recognised a loss on an onerous group of insurance contracts, the Company allocates below changes of the liability for remaining coverage on a systematic basis between the loss component of the liability for remaining coverage and the liability for remaining coverage excluding the loss component:

- (a) estimates of the present value of future cash flows for claims and expenses released from the liability for remaining coverage because of incurred insurance service expenses;
- (b) changes in the risk adjustment for non-financial risk recognised in profit or loss because of the release from risk; and
- (c) insurance finance income or expenses.

Any amounts allocated to the loss component of the liability for remaining coverage shall not be recognised as insurance revenue.

After the Company has recognised a loss on an onerous group of insurance contracts, the subsequent measurements are:

- (a) for any subsequent increases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, the Company recognises a loss as insurance service expenses in profit or loss and increases the liability for remaining coverage;
- (b) for any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk, the Company reverses the insurance service expenses in profit or loss and decreases the loss component of the liability for remaining coverage until that component is reduced to zero, the Company adjusts the CSM only for the excess of the decrease over the amount allocated to the loss component.

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NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

Premium Allocation Approach

The Company applied the Premium Allocation Approach (PAA) to simplify the measurement of contracts in the group life business if, and only if, at the inception of the group:

- (a) the Company reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying general model, unless the Company expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred; or
- (b) the coverage period of each contract in the group is one year or less.

For contracts issued to which the Company applies the premium allocation approach, the Company assumes no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Using the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received at initial recognition, minus any insurance acquisition cash flows at that date, and plus or minus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts.

At the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses in the reporting period, plus any adjustment to a financing component, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

Premium Allocation Approach - Continued

The Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates determined on initial recognition. The Company is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, to the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage, the Company recognises a loss as insurance service expenses in profit or loss and increase the liability for remaining coverage.

The Company measures the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims and other related expenses. The Company is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Company would also not include in the fulfilment cash flows mentioned above any such adjustment.

When the Company applies the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

vii) Measurement of insurance contracts - Continued

Premium Allocation Approach - Continued

The Company applies the premium allocation approach to simplify the measurement of contracts in the group life business with a coverage period of one year or less.

viii) Recognition and measurement for reinsurance contracts held

In addition to the requirements for insurance contracts set out above, the recognition and measurement for reinsurance contracts held are modified as follows. The requirements of measurements for onerous insurance contracts are not applicable for reinsurance contracts held.

Recognition for reinsurance contracts held

The Company divides portfolios of reinsurance contracts held into a minimum of:

- (a) a group of contracts that there is a net gain at initial recognition, if any;
- (b) a group of contracts that at initial recognition have no significant possibility of becoming to have net gain subsequently, if any; and
- (c) a group of the remaining contracts in the portfolio, if any.

The Company recognises a group of reinsurance contracts held from the earlier of the following:

- (a) the beginning of the coverage period of the group of reinsurance contracts held; and
- (b) the date the Company recognises an onerous group of underlying insurance contracts.

If a group of reinsurance contracts held provide proportionate coverage, the Company recognises such group of reinsurance contracts held from the earlier of the following:

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

viii) Recognition and measurement for reinsurance contracts held - Continued

Recognition for reinsurance contracts held - Continued

- (a) the later date of the beginning of the coverage period of the group of reinsurance contracts held and the date that any underlying insurance contract is initially recognised; and
- (b) the date the Company recognises an onerous group of underlying insurance contracts.

Measurement for reinsurance contracts held

On initial recognition, the Company measures a group of reinsurance contracts held at the total of the fulfilment cash flows and the CSM. The CSM represents the net cost or net gain the Company will recognise as it receives insurance contract services from the reinsurer.

The Company uses consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held and the estimates of the present value of the future cash flows for the group of underlying insurance contracts. In addition, the Company includes in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer.

The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred by the Company to the reinsurer.

On initial recognition for a group of reinsurance contracts held, the Company calculates the sum of:

- (a) the fulfilment cash flows;
- (b) the amount derecognised at that date of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held;
- (c) any cash flows arising at that date; and
- (d) loss-recovery component of assets for remaining coverage of reinsurance contracts held.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

viii) Recognition and measurement for reinsurance contracts held - Continued

Measurement for reinsurance contracts held - Continued

The Company recognises any net cost or net gain of the above total amounts as a CSM. If the net cost relates to events that occurred before the purchase of the group of reinsurance contracts held, the Company recognises such a cost immediately in profit or loss as an expense.

If the reinsurance contract held is entered into before or at the same time as the onerous underlying insurance contracts are recognised, when the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group, the Company recognises a loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held by multiplying:

- (a) the loss recognised on the underlying insurance contracts; and
- (b) the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

The Company adjusts the same amount calculated above to CSM and recognises as amount recovered from reinsurer in profit or loss.

The Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held.

The Company measures the CSM at the end of the reporting period for a group of reinsurance contracts held as the carrying amount determined at the start of the reporting period, adjusted for:

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

viii) Recognition and measurement for reinsurance contracts held - Continued

Measurement for reinsurance contracts held - Continued

- (a) the effect of any new contracts added to the group.
- (b) interest accreted on the carrying amount of the CSM, measured at the discount rates determined at the date of initial recognition of a group of contracts, to nominal cash flows that do not vary based on the returns on any underlying items.
- (c) the loss-recovery component of the asset for remaining coverage for such groups of reinsurance contracts held, and reversals of a loss-recovery component recognised to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.
- (d) the changes in the fulfilment cash flows relating to future service, except that such change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts; or except that such change results from onerous contracts, if the Company measures a group of underlying insurance contracts applying the premium allocation approach.
- (e) the effect of any currency exchange differences arising on the CSM.
- (f) the amount recognised in profit or loss because of services received in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

The Company recognises the reduction in the asset for remaining coverage because of insurance contract services received from the reinsurer in the period as allocation of reinsurance premiums paid. The Company recognises the increase in the asset for incurred claims because of claims and expenses that are expected to be reimbursed in the period and any subsequent related changes in fulfilment cash flows as amount recovered from reinsurer. The Company treats amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts as the reduction to the allocation of reinsurance premiums paid. Allocation of reinsurance premiums paid and amount recovered from reinsurer presented in profit or loss has excluded any investment components.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

viii) Recognition and measurement for reinsurance contracts held - Continued

Measurement for reinsurance contracts held - Continued

The Company uses the premium allocation approach to simplify the measurement of a group of reinsurance contracts held, if at the inception of the group:

- (a) the Company reasonably expects the resulting measurement would not differ materially from the result of not applying the premium allocation approach set out above, unless the Company expects significant variability in the fulfilment cash flows that would affect the measurement of the asset for remaining coverage during the period before a claim is incurred; or
- (b) the coverage period of each contract in the group of reinsurance contracts held is one year or less.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

ix) Modification and derecognition

If the terms of an insurance contract are modified, the Company derecognises the original contract and recognises the modified contract as a new contract, if, and only if, any of the conditions below are satisfied:

- (a) if the modified terms had been included at contract inception:
 - (i) the modified contract would have been excluded from the scope of HKFRS 17;
 - (ii) the Company would have separated different components from the host insurance contract, resulting in a different insurance contract to which HKFRS 17 would have applied;
 - (iii) the modified contract would have had a substantially different contract boundary; or
 - (iv) the modified contract would have been included in a different group of contracts.
- (b) the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- (c) the Company applied the premium allocation approach to the original contract, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

If a contract modification meets none of the conditions above, the Company treats changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Company derecognises an insurance contract when it is extinguished, i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled. The Company derecognises an insurance contract from within a group of contracts by applying the following requirements:

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

ix) Modification and derecognition - Continued

- (a) the fulfilment cash flows allocated to the group are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group;
- (b) the CSM of the group is adjusted; and
- (c) the number of coverage units for expected remaining insurance contract services is adjusted.

When the Company derecognises an insurance contract because it transfers the contract to a third party or derecognises an insurance contract and recognises a new contract, the Company applies the following requirements:

- (a) adjusts the CSM of the group from which the contract has been derecognised, for the difference between (i) and either (ii) for contracts transferred to a third party or (iii) for contracts derecognised due to modification:
 - (i) the change in the carrying amount of the group of insurance contracts resulting from the derecognition of the contract.
 - (ii) the premium charged by the third party.
 - (iii) the premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.
- (b) measures the new contract recognised assuming that the Company received the premium described in (a)(iii) at the date of the modification.

If the Company derecognises an insurance contract because it transfers the contract to a third party or derecognises an insurance contract due to modification, the Company reclassifies to profit or loss as a reclassification adjustment any remaining amounts for the group that were previously recognised in other comprehensive income.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

c) Insurance contracts - Continued

x) Presentation

The Company presents separately in the statement of financial position the carrying amount of portfolios of:

- (a) insurance contracts issued that are assets;
- (b) insurance contracts issued that are liabilities;
- (c) reinsurance contracts held that are assets; and
- (d) reinsurance contracts held that are liabilities.

The Company includes any assets for insurance acquisition cash flows recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Company disaggregates the amounts recognised in income statement and statement of comprehensive income into:

- (a) insurance revenue;
- (b) insurance service expenses;
- (c) allocation of reinsurance premiums paid;
- (d) amount recovered from reinsurer;
- (e) insurance finance income or expenses for insurance contracts issued; and
- (f) reinsurance finance income or expenses for reinsurance contracts held.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

d) Staff costs

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

The Company participates in defined contribution retirement benefit schemes for its employees who are eligible to participate. Contributions are charged to the income statement as they are paid/become payable in accordance with the rules of the scheme.

- (ii) Employee benefits - Defined contribution schemes

Mandatory provident fund scheme set up and operated under the Mandatory Provident Fund Schemes Ordinance, Cap. 485 ('the MPF Schemes Ordinance') is categorised as a defined contribution plan. Contributions to defined contribution plan are charged to the statement of comprehensive income when the related services are recognised.

- (iii) Employee benefits - Defined benefit schemes

Long service payment under the Hong Kong Employment Ordinance ('the Ordinance') is categorised as a defined benefit plan. Employees qualified under the Ordinance are entitled to LSP in certain circumstances specified in the Ordinance. There are no legal funding requirements on employers and the Company does not have any arrangement in place to settle its payment obligation in the future.

The Company's obligation to LSP is measured at:

- Gross LSP obligation which is estimated using the projected unit credit method discounted to its present value using market yields available on high quality corporate bonds (or government bonds if there is no deep market in such high quality corporate bonds) that have maturity dates approximating to the terms of the liabilities and are denominated in Hong Kong Dollars which is the currency of the LSP obligations; less

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

d) Staff costs - Continued

(iii) Employee benefits - Defined benefit schemes - Continued

- Negative service costs. Under the Ordinance and the MPF Schemes Ordinance, the Company can offset the accrued benefits derived from the Company's MPF contributions against the Company's LSP obligations. The Company regards these MPF contributions are deemed contributions by employees towards the LSP benefits. The nature is negative service costs. These deemed contributions are estimated by applying an expected investment return rate on the MPF contributions and then attributed to periods of service using the same attribution method for gross LSP obligation.

Service costs are recognised in profit or loss, and include current and past service costs (including result from a plan amendment).

Interest expense is recognised in profit or loss, and is calculated by applying the discount rate used to measure the LSP obligation at the beginning of the annual period to the balance of the LSP obligation, considering the effects of benefit payments during the period.

Remeasurements of the LSP obligation, including actuarial gains and losses, are recognised in other comprehensive income.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

e) Revenue recognition

- (i) Insurance revenue, the Company recognises insurance revenue as it provides services under groups of insurance contracts (see Note 3.1c);
- (ii) Interest income, as it accrues using the effective interest method;
- (iii) Dividend income, when the Company's right to receive payments has been established; and
- (iv) Rental income, on a time proportion basis over the lease terms.

f) Income tax

The Company is subject to income tax laws in Hong Kong. The current tax liabilities have been provided for using the tax rates that have been enacted as at end of the reporting period. The estimated assessable profit represented 5% of net premium income.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

g) Fair value measurement

The Company measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

g) Fair value measurement - Continued

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

h) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

i) Property, plant and equipment

Property, plant and equipment are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

Leasehold improvements	20% per annum or over the term of the lease whichever is shorter
Furniture, fixtures and office equipment	10% per annum
Electronic computers	20% per annum

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

j) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than financial assets, investment properties and non-current assets, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the income statement in the year in which it arises.

k) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities include other payables and accruals. All financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

k) Financial liabilities - Continued

Subsequent measurement - Continued

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in income statement.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

l) Lease

The Company as a lessor

Classification and measurement of leases

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Company's ordinary course of business is presented as income.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

n) 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 key management personnel of the Company or the Company's parent.

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

- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Company 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 Group or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.1 Material accounting policy information - Continued

n) Related parties - Continued

(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); and

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

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 entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.2 Critical Accounting judgements and estimates

The preparation of these financial statements in conformity with HKFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses during the year then ended. The application of assumptions and estimates means that any changes of them, either due to changes of management's judgement or the evolvement of actual circumstances, would cause the Company's financial position and results to differ. The Company believes that the assumptions and estimates that have been made in the preparation of these financial statements are appropriate and that these financial statements therefore present fairly the Company's financial position and results in all material respects.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Management of the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Separation of non-insurance component from insurance and reinsurance contracts

Some insurance and reinsurance contracts held may contain non-insurance components, such as an investment component.

The Company assesses the contracts to determine whether some of these components are distinct and need to be separated and accounted for under a standard other than HKFRS 17. When these non-insurance components are non-distinct, they will be accounted for together with the insurance component of an insurance and reinsurance contract. Please refer to note 3.1

c) iv) accounting policy.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.2 Critical Accounting judgements and estimates - Continued

Critical judgements in applying accounting policies - Continued

(b) Level of aggregation for portfolios

The Company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.

(c) Determination of coverage unit

The contractual service margin of a group of contracts is recognised as insurance revenue based on the number of coverage units provided in the period. These coverage units are determined by taking into account the amount of services provided for the group of contracts, its expected coverage period and time value of money. For the amount of services provided for contracts, this is measured based on the maximum benefits less the investment component. The expected coverage period is based on the likelihood of the insured event happening and hence judgmental.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.2 Critical Accounting judgements and estimates - Continued

Key sources of estimation uncertainty

The following are the methodology to derive key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Revaluation of investment properties

The Company carries its investment properties at fair values, with changes in fair values being recognised in the income statement. The Company engaged independent valuation specialists to determine fair values as at 31 December 2025. The valuers used valuation techniques based on market approach. The carrying amount of investment properties at 31 December 2025 was HK\$65,980,000 (2024: HK\$66,300,000). Further details are disclosed in Note 14.

(b) Allowance for ECL on debt securities at amortised cost and interest receivables from these debt securities at amortised cost

In estimating the ECL of debt securities at amortised cost and the interest receivable from these debt securities at amortised cost, the Company has taken into account the credit rating and historical actual credit loss experience over the past years since initial recognition and the financial position of the counterparties by reference to, among others, their audited financial statements and available press information, adjusted for general economic conditions and future prospects of the industry in which the counterparties operate and various external sources of actual and forecast economic information such as information published by economic expert reports, financial analysts and government bodies in estimating the probability of default of these financial assets, as well as the loss upon default in each case.

The allowance of ECL is sensitive to changes in estimates. The information about the ECL and the Company's receivables are disclosed in Note 23 a) i).

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.2 Critical Accounting judgements and estimates - Continued

Key sources of estimation uncertainty - Continued

(c) Discount rates

All cash flows in the LRC of insurance contracts issued and ARC of reinsurance contracts held are discounted. Under a bottom-up approach, the Company determines the discount rates using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The Company generally determines the risk-free rates using the government bond yields. Management uses judgement to assess liquidity characteristics of the insurance contracts.

The yield curves that were used to discount the estimate of future cash flows of insurance contracts for major currencies are as follow:

	31 December 2025	31 December 2024
HKD		
1-year	2.63%	3.88%
5-year	3.02%	3.56%
10-year	3.74%	3.78%
15-year	3.80%	3.87%
20-year	3.80%	3.84%
USD		
1-year	3.45%	4.11%
5-year	4.04%	4.45%
10-year	4.96%	4.78%
15-year	5.90%	5.43%
20-year	5.71%	5.07%

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES - Continued

3.2 Critical Accounting judgements and estimates - Continued

Key sources of estimation uncertainty - Continued

(d) Measurement of fulfilment cashflows

The fulfilment cashflows is determined by considering the present value of estimated future cash inflow and outflow. These are determined based on a set of assumptions and actuarial valuation method.

(e) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk.

Risk adjustments for non-financial risk are determined using confidence level technique. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies the same technique both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

4. INSURANCE REVENUE

	2025			
	Par Business HK\$	Non-Par Individual Business HK\$	Non-Par Group Business HK\$	Total HK\$
Insurance contracts not measured under the PAA				
Amounts related to changes in liabilities for remaining coverage				
Contractual service margin recognised for services provided	802,548	3,055,324	-	3,857,872
Change in risk adjustment for non-financial risk for risk expired	22,065	208,248	-	230,313
Expected incurred claims and other insurance service expenses	676,359	23,468,362	-	24,144,721
Others				
Recovery of insurance acquisition cash flows	9,225	941,005	-	950,230
Subtotal	1,510,197	27,672,939	-	29,183,136
Insurance contracts measured under the PAA	-	-	591,872	591,872
Total insurance revenue	1,510,197	27,672,939	591,872	29,775,008

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

4. INSURANCE REVENUE - continued

		2024		
	Par Business HK\$	Non-Par Individual Business HK\$	Non-Par Group Business HK\$	Total HK\$
Insurance contracts not measured under the PAA				
Amounts related to changes in liabilities for remaining coverage				
Contractual service margin recognised for services provided	920,295	3,413,241	-	4,333,536
Change in risk adjustment for non-financial risk for risk expired	22,293	350,116	-	372,409
Expected incurred claims and other insurance service expenses	719,660	22,762,180	-	23,481,840
Others	-	-	-	-
Recovery of insurance acquisition cash flows	17,004	1,397,553	-	1,414,557
Subtotal	1,679,252	27,923,090	-	29,602,342
Insurance contracts measured under the PAA	-	-	523,170	523,170
Total insurance revenue	1,679,252	27,923,090	523,170	30,125,512

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

5. INSURANCE SERVICE EXPENSES

	2025			
	Par Business HK\$	Non-Par Individual Business HK\$	Non-Par Group Business HK\$	Total HK\$
Insurance contracts not measured under the PAA				
Incurred claims and other expenses	167,307	12,066,770	-	12,234,077
Amortisation of insurance acquisition cash flows	9,225	941,005	-	950,230
Losses on onerous contracts and reversal of those losses	-	2,824,654	-	2,824,654
Changes to the fulfilment cash flows relating to liabilities for incurred claims	20,000	2,788,935	-	2,808,935
Subtotal	196,532	18,621,364	-	18,817,896
Insurance contracts measured under the PAA				
Incurred claims and other expenses	-	-	40,439	40,439
Amortisation of insurance acquisition cash flows	-	-	93,916	93,916
Subtotal	-	-	134,355	134,355
Total insurance service expenses	196,532	18,621,364	134,355	18,952,251

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

5. INSURANCE SERVICE EXPENSES - continued

	2024			
	Par Business HK\$	Non-Par Individual Business HK\$	Non-Par Group Business HK\$	Total HK\$
Insurance contracts not measured under the PAA				
Incurred claims and other expenses	313,823	8,608,627	-	8,922,450
Amortisation of insurance acquisition cash flows	17,004	1,397,552	-	1,414,556
Losses on onerous contracts and reversal of those losses	-	2,954,922	-	2,954,922
Changes to the fulfilment cash flows relating to liabilities for incurred claims	-	2,011,130	-	2,011,130
Subtotal	330,827	14,972,231	-	15,303,058
Insurance contracts measured under the PAA				
Incurred claims and other expenses	-	-	32,711	32,711
Amortisation of insurance acquisition cash flows	-	-	78,160	78,160
Subtotal	-	-	110,871	110,871
Total insurance service expenses	330,827	14,972,231	110,871	15,413,929

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

6. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

	2025			
	Par Business HK\$	Non-Par Individual Business HK\$	Non-Par Group Business HK\$	Total HK\$
Amounts related to liabilities for remaining coverage				
- Recoveries for expected incurred claims and other expenses	(223,636)	(16,472,016)	-	(16,695,652)
- Risk adjustment for the risk expired	(7,744)	(141,265)	-	(149,009)
- CSM for the service received	(509,982)	(3,000,926)	-	(3,510,908)
- Experience adjustments for premiums paid	-	-	-	-
Contracts not measured under the PAA	(741,362)	(19,614,207)	-	(20,355,569)
Contracts measured under the PAA	-	-	(389,393)	(389,393)
Allocation of reinsurance premiums	(741,362)	(19,614,207)	(389,393)	(20,744,962)
Amounts recovered for claims and other expenses	85,529	7,520,562	-	7,606,091
Changes that relate to future service:				
adjustment of loss recoveries on onerous contracts and reversals of those losses	-	1,534,551	-	1,534,551
Changes in recoverable amounts - adjustments to LIC	-	9,152,647	-	9,152,647
Effect of changes in non-performance risk of reinsurers	(109)	20,536	-	20,427
Contracts not measured under the PAA	85,420	18,228,296	-	18,313,716
Contracts measured under the PAA	-	-	-	-
Amounts recovered from reinsurers	85,420	18,228,296	-	18,313,716
Net expenses from reinsurance contracts held	(655,942)	(1,385,911)	(389,393)	(2,431,246)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

6. NET EXPENSES FROM REINSURANCE CONTRACTS HELD - continued

	2024			
	Par Business	Non-Par Individual Business	Non-Par Group Business	Total
	HK\$	HK\$	HK\$	HK\$
Amounts related to liabilities for remaining coverage				
- Recoveries for expected incurred claims and other expenses	(234,750)	(15,845,460)	-	(16,080,210)
- Risk adjustment for the risk expired	(397)	(449,540)	-	(449,937)
- CSM for the service received	(582,786)	(2,494,749)	-	(3,077,535)
- Experience adjustments for premiums paid	-	-	-	-
Contracts not measured under the PAA	(817,933)	(18,789,749)	-	(19,607,682)
Contracts measured under the PAA	-	-	(562,105)	(562,105)
Allocation of reinsurance premiums	(817,933)	(18,789,749)	(562,105)	(20,169,787)
Amounts recovered for claims and other expenses	84,492	8,589,874	-	8,674,366
Changes that relate to future service: adjustment of loss recoveries on onerous contracts and reversals of those losses	-	2,276,597	-	2,276,597
Changes in recoverable amounts - adjustments to LIC	-	5,173,368	-	5,173,368
Effect of changes in non-performance risk of reinsurers	1,541	92,459	-	94,000
Contracts not measured under the PAA	86,033	16,132,298	-	16,218,331
Contracts measured under the PAA	-	-	-	-
Amounts recovered from reinsurers	86,033	16,132,298	-	16,218,331
Net expenses from reinsurance contracts held	(731,900)	(2,657,451)	(562,105)	(3,951,456)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

7. INTEREST REVENUE AND OTHER INVESTMENT GAINS

An analysis of the Company's interest revenue and other investment gains are as follows:

	2025 HK\$	2024 HK\$
Interest revenue:		
- Bank interest income	1,516,063	2,450,994
- Interest income from debt securities at amortised cost	3,782,654	3,097,576
Subtotal	<u>5,298,717</u>	<u>5,548,570</u>
Other investment gains:		
- Dividend income from equity securities designated at FVTOCI	<u>638,248</u>	<u>733,114</u>
Total	<u><u>5,936,965</u></u>	<u><u>6,281,684</u></u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

8. PROFIT BEFORE TAX

Profit before income tax is stated after charging/(crediting) the following:

	2025 HK\$	2024 HK\$
Gross rental income under operating leases from investment properties	(1,426,606)	(1,430,319)
Less: Direct property operating expenses		
Insurance	8,383	4,934
Property management fees	107,490	99,716
Rates	76,273	68,004
Repairs and maintenance	33,179	18,300
Stamp duty	593	2,989
Sundry expenses	19	-
Valuation fee	9,440	9,440
	<u>235,377</u>	<u>203,383</u>
Operating lease rental income less outgoings	<u>(1,191,229)</u>	<u>(1,226,936)</u>
Auditor's remuneration	1,207,000	1,182,000
Depreciation	55,785	52,775
Employee benefits cost (including the directors' remuneration (note 10))	3,181,855	3,082,591
Management fee	<u>1,440,000</u>	<u>1,152,000</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

9. INSURANCE FINANCE EXPENSES

	2025 HK\$	2024 HK\$
Insurance contracts issued		
Interest accretion	(511,903)	(490,066)
Effect of changes in interest rates and other financial assumptions	(6,821,700)	(118,528)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	742,196	(974,751)
Subtotal	<u>(6,591,407)</u>	<u>(1,583,345)</u>
Reinsurance contracts held		
Interest accretion	326,681	289,707
Effect of changes in interest rates and other financial assumptions	4,333,024	(91,679)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(532,437)	708,906
Subtotal	<u>4,127,268</u>	<u>906,934</u>
Total insurance finance expenses	<u><u>(2,464,139)</u></u>	<u><u>(676,411)</u></u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. COMPENSATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS' REMUNERATION

The emoluments of directors during the year, who are also the key management personnel of the Company, disclosed pursuant to Section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, as follows:

	2025 HK\$	2024 HK\$
Directors' fees	<u>165,000</u>	<u>165,000</u>

Salaries, allowance and benefits in kind paid to or for the directors are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company.

11. EMPLOYEE BENEFIT COSTS

	2025 HK\$	2024 HK\$
Salaries, allowances and bonus	2,891,020	2,788,995
Pension costs		
- contributions to the defined contribution scheme	122,835	124,706
Staff welfare	<u>3,000</u>	<u>3,890</u>
	<u>3,016,855</u>	<u>2,917,591</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

12. INCOME TAX EXPENSE

Provision for Hong Kong profits tax has been made in the Company's financial statements on the estimated assessable profit for the year which is calculated at 16.5% (2024: 16.5%).

Details of income tax are as follows:

	2025 HK\$	2024 HK\$
Profit before tax	<u>8,765,491</u>	<u>7,080,439</u>
Tax at Hong Kong Profits Tax rate	1,446,306	1,168,272
Items related to taxation of life insurance business	(1,382,628)	(1,102,749)
Over-provision in prior year	<u>(1,500)</u>	<u>(9,000)</u>
Provision for Hong Kong profits tax for the year	<u>62,178</u>	<u>56,523</u>

No provision for deferred tax has been made as the Company had no material temporary difference as at the end of the reporting period (2024: Nil).

Change in fair value of investment properties does not constitute a temporary difference for tax purposes as no profit on sale or rental income would be subject to taxation.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture, fixtures and office equipment HK\$	Electronic computers HK\$	Total HK\$
Cost				
1 January 2024	868,384	190,424	110,295	1,169,103
Additions	-	6,630	14,700	21,330
Written off	-	-	(9,700)	(9,700)
31 December 2024	868,384	197,054	115,295	1,180,733
Additions	29,500	3,200	-	32,700
Written off	-	(2,000)	(38,045)	(40,045)
31 December 2025	897,884	198,254	77,250	1,173,388
Accumulated depreciation				
1 January 2024	803,258	125,455	71,281	999,994
Charge for the year	26,383	11,452	14,940	52,775
Written off	-	-	(9,700)	(9,700)
31 December 2024	829,641	136,907	76,521	1,043,069
Charge for the year	32,284	9,361	14,140	55,785
Written off	-	(2,000)	(38,045)	(40,045)
31 December 2025	861,925	144,268	52,616	1,058,809
Net book value				
31 December 2025	35,959	53,986	24,634	114,579
31 December 2024	38,743	60,147	38,774	137,664

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

14. INVESTMENT PROPERTIES

	2025 HK\$	2024 HK\$
1 January	66,300,000	72,000,000
Fair value loss	<u>(320,000)</u>	<u>(5,700,000)</u>
31 December	<u>65,980,000</u>	<u>66,300,000</u>

The Company's investment properties are situated in Hong Kong. The investment properties are leased to third parties under operating leases, further details of which are included in Note 20.

Fair value hierarchy

An independent valuation was performed by the valuer, Knight Frank Petty Limited, to determine the fair value of investment properties as at 31 December 2025 and 2024. The revaluation gain/(loss) is credited/(charged) to the income statement. The following table presents the fair value measurement hierarchy of the Company's investment properties carried at fair value:

	Fair value measurements as at 31 December 2025 categorised into			
	Fair value at 31 December 2025 HK\$	Quoted prices in active markets for identical assets (Level 1) HK\$	Significant other observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Recurring fair value measurement				
Investment properties:				
- Commercial - Hong Kong	6,180,000	-	-	6,180,000
- Residential - Hong Kong	<u>59,800,000</u>	<u>-</u>	<u>-</u>	<u>59,800,000</u>
	<u>65,980,000</u>	<u>-</u>	<u>-</u>	<u>65,980,000</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

14. INVESTMENT PROPERTIES - Continued

Fair value hierarchy - Continued

	Fair value at 31 December 2024 HK\$	Fair value measurements as at 31 December 2024 categorised into		
		Quoted prices in active markets for identical assets (Level 1) HK\$	Significant other observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Recurring fair value measurement				
Investment properties:				
- Commercial - Hong Kong	7,100,000	-	-	7,100,000
- Residential - Hong Kong	59,200,000	-	-	59,200,000
	<u>66,300,000</u>	<u>-</u>	<u>-</u>	<u>66,300,000</u>

During the year ended 31 December 2025, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2024: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property HK\$	Residential properties HK\$	Total HK\$
Carrying amount at 1 January 2024	9,000,000	63,000,000	72,000,000
Net loss from a fair value adjustment recognised in income statement	<u>(1,900,000)</u>	<u>(3,800,000)</u>	<u>(5,700,000)</u>
Carrying amount at 31 December 2024 and 1 January 2025	7,100,000	59,200,000	66,300,000
Net loss from a fair value adjustment recognised in income statement	<u>(920,000)</u>	<u>600,000</u>	<u>(320,000)</u>
Carrying amount at 31 December 2025	<u>6,180,000</u>	<u>59,800,000</u>	<u>65,980,000</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

14. INVESTMENT PROPERTIES - Continued

Valuation processes of the Company

All of the Company's investment properties were revalued as at 31 December 2025 by independent professionally qualified valuers, Knight Frank Petty Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors who have recent experience in the valuation properties in the relevant locations.

The Company's finance department, which directly reports to the chief executive officer, reviews the valuations performed by the independent valuers for financial reporting purposes. The finance department holds discussions with the independent valuer on the valuation assumptions and valuation results.

Changes in Levels 3 fair values are analysed at each reporting date. As at 31 December 2025, the fair values of the investment properties have been determined by Knight Frank Petty Limited.

Valuation techniques

The valuer has adopted market approach for valuation of investment properties for the year ended 31 December 2025 (2024: market approach). In the opinion of the directors, adoption of market approach can adequately reflect the market value of each property. There is involvement of significant unobservable inputs in determining fair value of the investment properties. For all investment properties, their current use equates to the highest and best use.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

		Significant	Range or weighted average	
Valuation techniques		unobservable inputs	2025	2024
Investment properties:				
- Commercial property	Market approach	Estimated unit price	HK\$7,658 per sq. ft	HK\$8,798 per sq. ft
		Discount/premium on quality of the building	-39% to +10%	-28% to +10%
- Residential properties	Market approach	Estimated unit price	HK\$15,052 to HK\$22,404 per sq. ft	HK\$14,456 to HK\$22,311 per sq. ft
		Discount/premium on quality of the building	-1% to +12%	-13% to +10%

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

14. INVESTMENT PROPERTIES - Continued

Valuation techniques - Continued

The fair value of investment properties which were tenanted as at the year-end date are determined by using market approach (2024: market approach) with reference to price of comparable properties on a price per square feet basis, adjusted by a discount/premium on the quality of the building including the location, size, configuration and accessibility of the Company's buildings compared to the recent market transactions.

A significant increase/(decrease) in the estimated unit price would result in a significant increase/(decrease) in fair value of the investment properties. A significant increase/(decrease) in the discount on the quality of the building would result in a significant decrease/(increase) in fair value of the investment properties. A significant increase/(decrease) in the premium on the quality of the building would result in a significant increase/(decrease) in fair value of the investment properties.

15. DEBT AND EQUITY SECURITIES/OTHER RECEIVABLES

(a) Debt securities at amortised cost

The table below summarises the maturity and the effective interest rate of debt securities at amortised cost at the end of the reporting period.

	2025 HK\$	2024 HK\$
Within 1 year	30,350,577	13,456,702
In the second to fifth years, inclusive	55,880,148	41,349,638
More than 5 years	<u>15,190,940</u>	<u>25,310,494</u>
	101,421,665	80,116,834
Less: Allowance for ECL	<u>(103,328)</u>	<u>(109,987)</u>
	<u><u>101,318,337</u></u>	<u><u>80,006,847</u></u>
Effective interest rate (percentage per annum)	<u><u>2.85 to 5.34</u></u>	<u><u>2.85 to 5.49</u></u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

15. DEBT AND EQUITY SECURITIES/OTHER RECEIVABLES - Continued

(b) Equity securities designated at FVTOCI

	2025 HK\$	2024 HK\$
Equity securities in Hong Kong - listed	<u>8,503,577</u>	<u>11,676,512</u>

Equity securities designated at FVTOCI are carried at fair value. Fair values of equity securities designated at FVTOCI are based on market prices or broker/dealer price quotations.

(c) Reconciliations of debt securities at amortised cost/equity securities designated at FVTOCI

	Fixed interest debt securities HK\$	Variable interest equity securities HK\$	Total HK\$
31 December 2023	72,152,210	9,577,705	81,729,915
Additions	23,525,423	-	23,525,423
Redemption	(15,821,904)	-	(15,821,904)
Fair value net loss	-	2,098,807	2,098,807
Premium amortisation	138,408	-	138,408
Change of ECL	<u>12,710</u>	<u>-</u>	<u>12,710</u>
31 December 2024	80,006,847	11,676,512	91,683,359
Additions	34,566,865	-	34,566,865
Redemption	(13,466,882)	-	(13,466,882)
Disposal	-	(5,265,038)	(5,265,038)
Fair value net gain	-	2,092,103	2,092,103
Premium amortisation	204,848	-	204,848
Change of ECL	<u>6,659</u>	<u>-</u>	<u>6,659</u>
31 December 2025	<u>101,318,337</u>	<u>8,503,577</u>	<u>109,821,914</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

15. DEBT AND EQUITY SECURITIES/OTHER RECEIVABLES - Continued

(d) Other receivables, deposits and prepayments

	2025 HK\$	2024 HK\$
Interest receivable, unsecured	1,469,627	1,391,387
Deposits	5,200	55,600
Prepayments	106,331	104,797
Others	200,502	117,019
Total other receivables, deposits and prepayments	<u>1,781,660</u>	<u>1,668,803</u>

The above balances were neither past due nor impaired.

16. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

	2025 HK\$	2024 HK\$
Current and savings accounts	4,463,606	5,123,910
Fixed term deposits	16,382,972	21,811,067
Total cash and cash equivalents	20,846,578	26,934,977
Bank deposits with original maturity over three months	27,781,163	28,530,809
Total cash and bank balances	<u>48,627,741</u>	<u>55,465,786</u>

Bank deposits and savings accounts balances carry interest at market rates based on bank deposit rates whilst current accounts do not earn any interest.

The effective interest rate on time deposits with maturity at the end of the reporting period was from 0.3% to 3.9% per annum (2024: from 0.9% to 5.3% per annum) and has an average maturity of 206 days (2024: 162 days). The carrying amounts of the cash and bank balances approximate to their fair value.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

17. SHARE CAPITAL

	2025 HK\$	2024 HK\$
Issued and fully paid:		
500,000 (2024: 500,000) ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD

Movement in carrying amounts

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and statement of other comprehensive income.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2025			
	Contracts not measured under PAA			
	Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total
	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-
Opening liabilities	(98,359,145)	(4,654,715)	(300,000)	(103,313,860)
Net opening balance - 1 January 2025	(98,359,145)	(4,654,715)	(300,000)	(103,313,860)
Changes in the income statement				
Insurance revenue				
Contracts under the modified retrospective approach	-	-	-	-
Contracts under the fair value approach	25,825,553	-	-	25,825,553
Other contracts	3,357,583	-	-	3,357,583
Insurance revenue - Total	29,183,136	-	-	29,183,136
Insurance service expenses				
Amortisation of insurance acquisition cash flows	(950,230)	-	-	(950,230)
Incurred claims and other insurance service expenses	-	286,959	(12,521,036)	(12,234,077)
Losses or reversals of losses on onerous contracts	-	(2,824,654)	-	(2,824,654)
Adjustments to liabilities for incurred claims	-	-	(2,808,935)	(2,808,935)
Insurance service expenses - Total	(950,230)	(2,537,695)	(15,329,971)	(18,817,896)
Investment components	63,023	-	(63,023)	-
Insurance service result	28,295,929	(2,537,695)	(15,392,994)	10,365,240
Net finance expenses from insurance contracts	(6,615,186)	23,779	-	(6,591,407)
Effect of movements in exchange rates	-	-	-	-
Total changes in the income statement	21,680,743	(2,513,916)	(15,392,994)	3,773,833
Cash flows				
Premiums received	(30,179,561)	-	-	(30,179,561)
Insurance acquisition cash flows	3,095,568	-	-	3,095,568
Claims and other insurance service expenses paid, including investment components	-	-	15,442,994	15,442,994
Total cash flows	(27,083,993)	-	15,442,994	(11,640,999)
Closing assets	-	-	-	-
Closing liabilities	(103,762,395)	(7,168,631)	(250,000)	(111,181,026)
Total Net closing balance - 31 December 2025	(103,762,395)	(7,168,631)	(250,000)	(111,181,026)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2024			
	Contracts not measured under PAA			
	Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total
	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-
Opening liabilities	(97,372,629)	(1,781,652)	(500,000)	(99,654,281)
Net opening balance - 1 January 2024	(97,372,629)	(1,781,652)	(500,000)	(99,654,281)
Changes in the income statement				
Insurance revenue				
Contracts under the modified retrospective approach	-	-	-	-
Contracts under the fair value approach	26,877,569	-	-	26,877,569
Other contracts	2,724,773	-	-	2,724,773
Insurance revenue - Total	29,602,342	-	-	29,602,342
Insurance service expenses				
Amortisation of insurance acquisition cash flows	(1,414,556)	-	-	(1,414,556)
Incurred claims and other insurance service expenses	-	(53,404)	(8,869,046)	(8,922,450)
Losses or reversals of losses on onerous contracts	-	(2,954,922)	-	(2,954,922)
Adjustments to liabilities for incurred claims	-	-	(2,011,130)	(2,011,130)
Insurance service expenses - Total	(1,414,556)	(3,008,326)	(10,880,176)	(15,303,058)
Investment components	470,441	-	(470,441)	-
Insurance service result	28,658,227	(3,008,326)	(11,350,617)	14,299,284
Net finance expenses from insurance contracts	(1,718,608)	135,263	-	(1,583,345)
Effect of movements in exchange rates	-	-	-	-
Total changes in the income statement	26,939,619	(2,873,063)	(11,350,617)	12,715,939
Cash flows				
Premiums received	(30,604,973)	-	-	(30,604,973)
Insurance acquisition cash flows	2,678,838	-	-	2,678,838
Claims and other insurance service expenses paid, including investment components	-	-	11,550,617	11,550,617
Total cash flows	(27,926,135)	-	11,550,617	(16,375,518)
Closing assets	-	-	-	-
Closing liabilities	(98,359,145)	(4,654,715)	(300,000)	(103,313,860)
Total Net closing balance - 31 December 2024	(98,359,145)	(4,654,715)	(300,000)	(103,313,860)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2025				
	Contracts not measured under PAA				
	CSM				Total HK\$
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	Contracts under fair value approach HK\$	Other contracts HK\$	
Opening assets	-	-	-	-	-
Opening liabilities	(63,811,429)	(4,356,968)	(31,019,787)	(4,125,676)	(103,313,860)
Net opening balance - 1 January 2025	(63,811,429)	(4,356,968)	(31,019,787)	(4,125,676)	(103,313,860)
Changes in the income statement					
Changes that relate to current services					
CSM recognised for services provided	-	-	3,328,117	529,755	3,857,872
Risk adjustment recognised for the risk expired	-	230,313	-	-	230,313
Experience adjustments	11,910,644	-	-	-	11,910,644
Changes that relate to future services					
Contracts initially recognised in the period	1,406,973	(232,580)	-	(3,061,231)	(1,886,838)
Changes in estimates that adjust the CSM	(2,552,350)	(343,790)	177,803	2,718,337	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(923,685)	(14,131)	-	-	(937,816)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(2,808,935)	-	-	-	(2,808,935)
Insurance service result	7,032,647	(360,188)	3,505,920	186,861	10,365,240
Insurance finance expenses from insurance contracts recognised in profit and loss	(6,079,504)	-	(366,289)	(145,614)	(6,591,407)
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	953,143	(360,188)	3,139,631	41,247	3,773,833
Cash flows					
Premium received	(30,179,561)	-	-	-	(30,179,561)
Claims and other insurance service expenses paid, including investment components	15,442,994	-	-	-	15,442,994
Insurance acquisition cash flows	3,095,568	-	-	-	3,095,568
Total cash flows	(11,640,999)	-	-	-	(11,640,999)
Closing assets	-	-	-	-	-
Closing liabilities	(74,499,285)	(4,717,156)	(27,880,156)	(4,084,429)	(111,181,026)
Total net closing balance - 31 December 2025	(74,499,285)	(4,717,156)	(27,880,156)	(4,084,429)	(111,181,026)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2024				
	Contracts not measured under PAA				
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM		Total HK\$
			Contracts under fair value approach HK\$	Other contracts HK\$	
Opening assets	-	-	-	-	-
Opening liabilities	(58,913,987)	(4,577,572)	(33,747,935)	(2,414,787)	(99,654,281)
Net opening balance - 1 January 2024	(58,913,987)	(4,577,572)	(33,747,935)	(2,414,787)	(99,654,281)
Changes in the income statement					
Changes that relate to current services					
CSM recognised for services provided	-	-	3,825,936	507,600	4,333,536
Risk adjustment recognised for the risk expired	-	372,409	-	-	372,409
Experience adjustments	14,559,391	-	-	-	14,559,391
Changes that relate to future services					
Contracts initially recognised in the period	2,085,946	(161,136)	-	(3,296,766)	(1,371,956)
Changes in estimates that adjust the CSM	(502,501)	31,946	(734,595)	1,205,150	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1,560,351)	(22,615)	-	-	(1,582,966)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(2,011,130)	-	-	-	(2,011,130)
Insurance service result	12,571,355	220,604	3,091,341	(1,584,016)	14,299,284
Insurance finance expenses from insurance contracts recognised in profit and loss	(1,093,279)	-	(363,193)	(126,873)	(1,583,345)
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	11,478,076	220,604	2,728,148	(1,710,889)	12,715,939
Cash flows					
Premium received	(30,604,973)	-	-	-	(30,604,973)
Claims and other insurance service expenses paid, including investment components	11,550,617	-	-	-	11,550,617
Insurance acquisition cash flows	2,678,838	-	-	-	2,678,838
Total cash flows	(16,375,518)	-	-	-	(16,375,518)
Closing assets	-	-	-	-	-
Closing liabilities	(63,811,429)	(4,356,968)	(31,019,787)	(4,125,676)	(103,313,860)
Total net closing balance - 31 December 2024	(63,811,429)	(4,356,968)	(31,019,787)	(4,125,676)	(103,313,860)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

As 31 December 2025				
Reinsurance Contracts Held not measured under PAA				
Assets for remaining coverage				
Excluding loss-				
	recovery component HK\$	Loss-recovery component HK\$	Assets for incurred claims HK\$	Total HK\$
Opening assets	54,139,670	2,821,353	4,116,507	61,077,530
Opening liabilities	-	-	-	-
Net opening balance - 1 January 2025	54,139,670	2,821,353	4,116,507	61,077,530
Changes in the income statement				
Net income/(expenses) from reinsurance contracts held				
Allocation of reinsurance premium	(20,355,569)	-	-	(20,355,569)
Amounts recovered for claims and other expenses	-	-	7,606,091	7,606,091
Changes in recoverable amounts - adjustments to AIC	-	-	9,152,647	9,152,647
Adjustment of loss recoveries on onerous contracts and reversals of those losses	-	1,534,551	-	1,534,551
Effect of changes in non-performance risk of reinsurers	20,427	-	-	20,427
Net income/(expenses) - Total	(20,335,142)	1,534,551	16,758,738	(2,041,853)
Investment components	-	-	-	-
Insurance service result	(20,335,142)	1,534,551	16,758,738	(2,041,853)
Finance income from reinsurance contracts held	4,127,268	-	-	4,127,268
Effect of movements in exchange rates	-	-	-	-
Total changes in the income statement	(16,207,874)	1,534,551	16,758,738	2,085,415
Cash flows				
Premiums paid	20,832,144	-	-	20,832,144
Amounts received	-	-	(16,595,079)	(16,595,079)
Total cash flows	20,832,144	-	(16,595,079)	4,237,065
Closing assets	58,763,940	4,355,904	4,280,166	67,400,010
Closing liabilities	-	-	-	-
Total net closing balance - 31 December 2025	58,763,940	4,355,904	4,280,166	67,400,010

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

As 31 December 2024				
Reinsurance Contracts Held not measured under PAA				
Assets for remaining coverage				
	Excluding loss- recovery component	Loss-recovery component	Assets for incurred claims	Total
	HK\$	HK\$	HK\$	HK\$
Opening assets	51,612,082	544,756	1,280,398	53,437,236
Opening liabilities	(17,988)	-	2,500	(15,488)
Net opening balance - 1 January 2024	51,594,094	544,756	1,282,898	53,421,748
Changes in the income statement				
Net income/(expenses) from reinsurance contracts held				
Allocation of reinsurance premium	(19,607,682)	-	-	(19,607,682)
Amounts recovered for claims and other expenses	-	-	8,674,366	8,674,366
Changes in recoverable amounts - adjustments to AIC	-	-	5,173,368	5,173,368
Adjustment of loss recoveries on onerous contracts and reversals of those losses	-	2,276,597	-	2,276,597
Effect of changes in non-performance risk of reinsurers	94,000	-	-	94,000
Net income/(expenses) - Total	(19,513,682)	2,276,597	13,847,734	(3,389,351)
Investment components	-	-	-	-
Insurance service result	(19,513,682)	2,276,597	13,847,734	(3,389,351)
Finance income from reinsurance contracts held	906,934	-	-	906,934
Effect of movements in exchange rates	-	-	-	-
Total changes in the income statement	(18,606,748)	2,276,597	13,847,734	(2,482,417)
Cash flows				
Premiums paid	21,152,324	-	-	21,152,324
Amounts received	-	-	(11,014,125)	(11,014,125)
Total cash flows	21,152,324	-	(11,014,125)	10,138,199
Closing assets	54,139,670	2,821,353	4,116,507	61,077,530
Closing liabilities	-	-	-	-
Total net closing balance - 31 December 2024	54,139,670	2,821,353	4,116,507	61,077,530

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2025				
	Reinsurance Contracts Held not measured under PAA				
			CSM		
	Estimates of present value of future cash flows HK\$	Risk adjustment for non- financial risk HK\$	Contracts under fair value approach HK\$	Other contracts HK\$	Total HK\$
Opening assets	34,177,859	480,543	25,872,935	546,193	61,077,530
Opening liabilities	-	-	-	-	-
Net opening balance - 1 January 2025	34,177,859	480,543	25,872,935	546,193	61,077,530
Changes in the income statement					
Changes that relate to current services					
CSM recognised for services received	-	-	(4,944,010)	750,848	(4,193,162)
Risk adjustment recognised for the risk expired	-	(149,009)	-	-	(149,009)
Experience adjustments	(9,089,561)	-	-	-	(9,089,561)
Changes that relate to future services					
Contracts initially recognised in the period	(102,042)	183,668	-	(81,626)	-
Changes in estimates that adjust the CSM	(5,928,483)	170,744	5,772,594	(14,855)	-
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	2,216,805	-	-	-	2,216,805
Changes that relate to past services					
Changes to incurred claims component	9,152,647	-	-	-	9,152,647
Effect of changes in non-performance risk of reinsurers	20,427	-	-	-	20,427
Net expenses from reinsurance contracts held	(3,730,207)	205,403	828,584	654,367	(2,041,853)
Insurance finance expenses from insurance contracts recognised in profit and loss	3,800,587	-	305,514	21,167	4,127,268
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	70,380	205,403	1,134,098	675,534	2,085,415
Cash flows					
Premiums paid	20,832,144	-	-	-	20,832,144
Amounts received	(16,595,079)	-	-	-	(16,595,079)
Total cash flows	4,237,065	-	-	-	4,237,065
Closing assets	38,485,304	685,946	27,007,033	1,221,727	67,400,010
Closing liabilities	-	-	-	-	-
Total net closing balance - 31 December 2025	38,485,304	685,946	27,007,033	1,221,727	67,400,010

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

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

	As 31 December 2024				
	Reinsurance Contracts Held not measured under PAA				
			CSM		
	Estimates of present value of future cash flows HK\$	Risk adjustment for non- financial risk HK\$	Contracts under fair value approach HK\$	Other contracts HK\$	Total HK\$
Opening assets	26,340,823	719,371	26,471,912	(94,870)	53,437,236
Opening liabilities	(229,492)	(83)	141,269	72,818	(15,488)
Net opening balance - 1 January 2024	26,111,331	719,288	26,613,181	(22,052)	53,421,748
Changes in the income statement					
Changes that relate to current services					
CSM recognised for services received	-	-	(3,239,980)	(56,118)	(3,296,098)
Risk adjustment recognised for the risk expired	-	(449,937)	-	-	(449,937)
Experience adjustments	(7,405,844)	-	-	-	(7,405,844)
Changes that relate to future services					
Contracts initially recognised in the period	(801,825)	117,175	-	684,650	-
Changes in estimates that adjust the CSM	(2,243,757)	94,017	2,213,325	(63,585)	-
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	2,495,160	-	-	-	2,495,160
Changes that relate to past services					
Changes to incurred claims component	5,173,368	-	-	-	5,173,368
Effect of changes in non-performance risk of reinsurers	94,000	-	-	-	94,000
Net expenses from reinsurance contracts held	(2,688,898)	(238,745)	(1,026,655)	564,947	(3,389,351)
Insurance finance expenses from insurance contracts recognised in profit and loss	617,227	-	286,409	3,298	906,934
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	(2,071,671)	(238,745)	(740,246)	568,245	(2,482,417)
Cash flows					
Premiums paid	21,152,324	-	-	-	21,152,324
Amounts received	(11,014,125)	-	-	-	(11,014,125)
Total cash flows	10,138,199	-	-	-	10,138,199
Closing assets	34,177,859	480,543	25,872,935	546,193	61,077,530
Closing liabilities	-	-	-	-	-
Total net closing balance - 31 December 2024	34,177,859	480,543	25,872,935	546,193	61,077,530

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

	As 31 December 2025				
	Contracts measured under PAA				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-	-
Opening liabilities	(274,425)	-	-	-	(274,425)
Net opening balance - 1 January 2025	(274,425)	-	-	-	(274,425)
Changes in the income statement					
Insurance revenue					
Contracts under the modified retrospective approach	-	-	-	-	-
Contracts under the fair value approach	-	-	-	-	-
Other contracts	591,872	-	-	-	591,872
Insurance revenue - Total	591,872	-	-	-	591,872
Insurance service expenses					
Amortisation of insurance acquisition cash flows	(93,916)	-	-	-	(93,916)
Incurred claims and other insurance service expenses	-	-	(40,439)	-	(40,439)
Losses or reversals of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-	-
Insurance service expenses - Total	(93,916)	-	(40,439)	-	(134,355)
Investment components	-	-	-	-	-
Insurance service result	497,956	-	(40,439)	-	457,517
Net finance expenses from insurance contracts	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	497,956	-	(40,439)	-	457,517
Cash flows					
Premiums received	(556,982)	-	-	-	(556,982)
Insurance acquisition cash flows	86,280	-	-	-	86,280
Claims and other insurance service expenses paid	-	-	40,439	-	40,439
Total cash flows	(470,702)	-	40,439	-	(430,263)
Closing assets	-	-	-	-	-
Closing liabilities	(247,171)	-	-	-	(247,171)
Total net closing balance - 31 December 2025	(247,171)	-	-	-	(247,171)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach - Continued

	As 31 December 2024				
	Contracts measured under PAA				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-	-
Opening liabilities	(266,733)	-	-	-	(266,733)
Net opening balance - 1 January 2024	(266,733)	-	-	-	(266,733)
Changes in the income statement					
Insurance revenue					
Contracts under the modified retrospective approach	-	-	-	-	-
Contracts under the fair value approach	-	-	-	-	-
Other contracts	523,170	-	-	-	523,170
Insurance revenue - Total	523,170	-	-	-	523,170
Insurance service expenses					
Amortisation of insurance acquisition cash flows	(78,160)	-	-	-	(78,160)
Incurred claims and other insurance service expenses	-	-	(32,711)	-	(32,711)
Losses or reversals of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-	-
Insurance service expenses - Total	(78,160)	-	(32,711)	-	(110,871)
Investment components	-	-	-	-	-
Insurance service result	445,010	-	(32,711)	-	412,299
Net finance expenses from insurance contracts	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	445,010	-	(32,711)	-	412,299
Cash flows					
Premiums received	(531,499)	-	-	-	(531,499)
Insurance acquisition cash flows	78,797	-	-	-	78,797
Claims and other insurance service expenses paid	-	-	32,711	-	32,711
Total cash flows	(452,702)	-	32,711	-	(419,991)
Closing assets	-	-	-	-	-
Closing liabilities	(274,425)	-	-	-	(274,425)
Total net closing balance - 31 December 2024	(274,425)	-	-	-	(274,425)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

	As 31 December 2025				
	Reinsurance Contracts Held measured under PAA				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-	-
Opening liabilities	(155,489)	-	-	-	(155,489)
Net opening balance - 1 January 2025	(155,489)	-	-	-	(155,489)
Changes in the income statement					
Net income/(expenses) from reinsurance contracts held					
Allocation of reinsurance premium	(389,393)	-	-	-	(389,393)
Amounts recovered for claims and other expenses	-	-	-	-	-
Changes in recoverable amounts - adjustments to AIC	-	-	-	-	-
Adjustment of loss recoveries on onerous contracts and reversals of those losses	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Net income/(expenses) - Total	(389,393)	-	-	-	(389,393)
Investment components	-	-	-	-	-
Insurance service result	(389,393)	-	-	-	(389,393)
Finance income from reinsurance contracts held	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	(389,393)	-	-	-	(389,393)
Cash flows					
Premiums paid	349,936	-	-	-	349,936
Amounts received	-	-	-	-	-
Total cash flows	349,936	-	-	-	349,936
Closing assets	-	-	-	-	-
Closing liabilities	(194,946)	-	-	-	(194,946)
Total Net closing balance - 31 December 2025	(194,946)	-	-	-	(194,946)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach - Continued

	As 31 December 2024				
	Reinsurance Contracts Held measured under PAA				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-	-
Opening liabilities	(13,696)	-	-	-	(13,696)
Net opening balance - 1 January 2024	(13,696)	-	-	-	(13,696)
Changes in the income statement					
Net income/(expenses) from reinsurance contracts held					
Allocation of reinsurance premium	(562,105)	-	-	-	(562,105)
Amounts recovered for claims and other expenses	-	-	-	-	-
Changes in recoverable amounts - adjustments to AIC	-	-	-	-	-
Adjustment of loss recoveries on onerous contracts and reversals of those losses	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Net income/(expenses) - Total	(562,105)	-	-	-	(562,105)
Investment components	-	-	-	-	-
Insurance service result	(562,105)	-	-	-	(562,105)
Finance income from reinsurance contracts held	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the income statement	(562,105)	-	-	-	(562,105)
Cash flows					
Premiums paid	420,312	-	-	-	420,312
Amounts received	-	-	-	-	-
Total cash flows	420,312	-	-	-	420,312
Closing assets	-	-	-	-	-
Closing liabilities	(155,489)	-	-	-	(155,489)
Total Net closing balance - 31 December 2024	(155,489)	-	-	-	(155,489)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Effect of contracts initially recognised in the year

For the year ended 31 December 2025

Insurance contracts issued	Profitable contracts HK\$	Onerous contracts HK\$	Total HK\$
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	497,639	649,221	1,146,860
Claims payable and other expenses	6,085,832	8,323,020	14,408,852
Estimates of present value of future cash outflows	6,583,471	8,972,241	15,555,712
Estimates of present value of future cash inflows	(9,740,000)	(7,222,685)	(16,962,685)
Risk adjustment	95,298	137,282	232,580
CSM	3,061,231	-	3,061,231
Total	-	1,886,838	1,886,838

Reinsurance contracts held	Contracts originated in a net gain HK\$	Contracts originated in a net cost HK\$	Total HK\$
Estimates of PV of future cash outflows	-	(12,283,221)	(12,283,221)
Estimates of PV of future cash inflows	-	12,181,179	12,181,179
Risk adjustment	-	183,668	183,668
CSM	-	(81,626)	(81,626)
Amount included in reinsurance contract assets for the period	-	-	-
Amount included in profit or loss	-	-	-

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Effect of contracts initially recognised in the year - Continued

For the year ended 31 December 2024

Insurance contracts issued	Profitable contracts HK\$	Onerous contracts HK\$	Total HK\$
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	334,549	367,510	702,059
Claims payable and other expenses	4,649,356	5,868,447	10,517,803
Estimates of present value of future cash outflows	4,983,905	6,235,957	11,219,862
Estimates of present value of future cash inflows	(8,352,314)	(4,953,494)	(13,305,808)
Risk adjustment	71,643	89,493	161,136
CSM	3,296,766	-	3,296,766
Total	-	1,371,956	1,371,956

Reinsurance contracts held	Contracts originated in a net gain HK\$	Contracts originated in a net cost HK\$	Total HK\$
Estimates of PV of future cash outflows	-	(8,939,274)	(8,939,274)
Estimates of PV of future cash inflows	-	8,137,449	8,137,449
Risk adjustment	-	117,175	117,175
CSM	-	684,650	684,650
Amount included in reinsurance contract assets for the period	-	-	-
Amount included in profit or loss	-	-	-

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. INSURANCE CONTRACT AND REINSURANCE CONTRACTS HELD - Continued

Analysis of expected recognition for remaining CSM

As at 31 December 2025

	Insurance contracts HK\$	Reinsurance contracts held HK\$	Total HK\$
Less than 1 year	3,440,854	(3,049,088)	391,766
1-2 years	3,077,429	(2,743,563)	333,866
2-3 years	2,745,796	(2,446,560)	299,236
3-4 years	2,512,925	(2,222,579)	290,346
4-5 years	2,223,812	(1,962,075)	261,737
5-10 years	8,050,514	(7,089,588)	960,926
10+ years	9,913,255	(8,715,307)	1,197,948
Total	31,964,585	(28,228,760)	3,735,825

As at 31 December 2024

	Insurance contracts HK\$	Reinsurance contracts held HK\$	Total HK\$
Less than 1 year	3,855,722	(2,928,924)	926,798
1-2 years	3,506,382	(2,655,459)	850,923
2-3 years	3,079,649	(2,331,348)	748,301
3-4 years	2,732,828	(2,066,790)	666,038
4-5 years	2,433,763	(1,840,483)	593,280
5-10 years	8,689,208	(6,548,257)	2,140,951
10+ years	10,847,911	(8,047,867)	2,800,044
Total	35,145,463	(26,419,128)	8,726,335

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. OTHER PAYABLES AND ACCRUALS

	2025 HK\$	2024 HK\$
Premium received in advance	62,527	106,778
Tenants' deposits	265,829	263,909
Other payables	490,317	460,437
Accruals	<u>3,278,539</u>	<u>4,544,654</u>
Total other payables and accruals	<u><u>4,097,212</u></u>	<u><u>5,375,778</u></u>

20. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Company leases its investment properties (Note 14) under operating lease arrangements, with leases negotiated for terms not exceeding two years. The terms of the leases also require the tenants to pay security deposits and provide for periodic rental adjustments according to the prevailing market conditions.

At 31 December 2025 and 2024, the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants which fall due as follows:

	2025 HK\$	2024 HK\$
Within one year	400,000	1,260,000
In the second year	<u>76,000</u>	<u>242,000</u>
	<u><u>476,000</u></u>	<u><u>1,502,000</u></u>

21. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

	2025 HK\$	2024 HK\$
Insurance expenses paid to holding company	15,719	12,461
Management fee paid to holding company	<u>1,440,000</u>	<u>1,152,000</u>

The above transactions were made at prices and terms in the normal course of business as agreed between the parties.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2025 HK\$	2024 HK\$
<u>Financial assets</u>		
Amortised cost	151,621,407	137,036,639
Equity securities designated at FVTOCI	<u>8,503,577</u>	<u>11,676,512</u>
	<u>160,124,984</u>	<u>148,713,151</u>
<u>Financial liabilities</u>		
Amortised cost	<u>4,034,685</u>	<u>5,269,000</u>

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, bank deposits with original maturity over 3 months, accounts and other receivables, debt securities at amortised cost, accounts and other payables.

Due to their short term nature, the carrying value of these instruments are approximates fair value.

(b) Financial instruments measured at fair value

Fair value of equity securities designated at FVTOCI include the listed equity and are determined based on the quoted market bid prices available on the Stock Exchange or relevant stock exchanges.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

a) Financial risk management

The Company's principal financial instruments, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as accounts receivable and payable, which arise directly from its operation.

i) Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. At the end of the reporting period, substantially all of the Company's cash and cash equivalents were managed by nine financial institutions, four financial institutions held all the Company's securities as a safe custody, and two reinsurers were accounted for 100% of the Company's reinsurance arrangements. There is no concentration of credit risk with respect to receivables arising from policyholders, as the Company has a large number of policyholders.

Amounts due from policyholders

In the opinion of the directors, the credit risk arising from the amounts due from policyholders are considered to be low as all the outstanding balances are still within credit period and with reference to the historical experience. The insurance policies will be terminated if the amounts due from policyholders are more than 1 month overdue. The Company performs assessment on these balances individually.

Amount due from reinsurer

Since the amount due from reinsurer is arising from a reinsurer which is one of the largest insurance companies in the market with Moody's credit rating of Aa3 (Excellent), and that the business portfolio does not economically and appropriately justify for another reinsurer. In the opinion of the directors, the current reinsurance arrangement has balanced the concentration risk and the business consideration.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

i) Credit risk - Continued

Debt securities at amortised cost

As at 31 December 2025, 88% (2024: 83%) of debt securities are investment grade-rated with ratings ranging between AAA to Baa3/BBB-, 9% (2024: 13%) of the debt securities were not rated by external credit rating agencies and 3% (2024: 4%) of debt securities have credit rating below Baa3/BBB- as of the end of the reporting period. For the 13% unrated debt securities, in the opinion of the directors, the credit risk arising from these securities are considered to be low as they are either issued/guaranteed by well-established listed companies or subsidiaries of listed companies and no history of default was noted. For those 3% debt securities graded below Baa3/BBB-, in the opinion of the directors, the credit risk arising from these securities are also considered to be low as these debt securities were either issued/guaranteed by well-established listed companies and no history of default was noted.

All debt securities are reviewed and monitored by the management on an ongoing basis to minimise the default risk of the counterparties.

In estimating the ECL of debt securities at amortised cost and the interest receivable from these debt securities at amortised cost, the Company has taken into account the credit rating and historical actual credit loss experience over the past years since initial recognition and the financial position of the counterparties by reference to, among others, their audited financial statements and available press information, adjusted for general economic conditions and future prospects of the industry in which the counterparties operate and various external sources of actual and forecast economic information such as information published by economic expert reports, financial analysts and government bodies in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The directors of the Company consider the ECL of these financial assets to be insignificant after taking into account the financial position and credit quality of the counterparties.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

i) Credit risk - Continued

Debt securities at amortised cost - Continued

Unless the credit risk is low, the management generally considers any downgrade of internal credit rating band since initial recognition to be significant Increase in credit risk.

During the year ended 31 December 2025, a decrease of HK\$6,659 (2024: a decrease of HK\$12,710) in ECL allowance has been recorded for the debt securities at amortised cost and interest receivables arising from them.

Other receivables

The credit risk of other receivables is managed through an internal process. The Company also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The balances are monitored on an ongoing basis and the Company's exposure to ECL is insignificant and thus no loss allowance is recognised.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

i) Credit risk - Continued

Cash and cash equivalents

The credit risk on liquid fund is limited because the counterparties are banks and asset management company with high credit ratings.

The Company's receivables were neither past due nor impaired. They relate to a wide range of customers with no recent history of default as well as banks, an asset management company and a reinsurer with high credit ratings.

The tables below detail the credit risk exposures of the Company's financial assets which are subject to ECL assessment:

				2025	2024
				Gross	Gross
	Note	Credit rating	12-month or lifetime ECL	carrying amount	carrying amount
				HK\$	HK\$
Financial assets at amortised costs					
Debt securities at amortised cost	15(a)	(Note 1)	12-month ECL	99,405,397	78,558,812
Debt securities at amortised cost	15(a)	(Note 1)	Lifetime ECL	2,016,268	1,558,022
Other receivables	15(d)	(Note 2)	12-month ECL	1,675,329	1,564,006
Bank deposits with original maturity over 3 months	16	N/A	12-month ECL	27,781,163	28,530,809
Cash and cash equivalents	16	N/A	12-month ECL	20,846,578	26,934,977
				<u>151,724,735</u>	<u>137,146,626</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

i) Credit risk - Continued

Cash and cash equivalents - Continued

Note:

1. The Company's credit risk grading assessment for debt securities at amortised cost comprises the following categories:

Moody's credit rating	S&P Global's/ Fitch's credit rating	Description	Assessment	2025 Net amount HK\$	2024 Net amount HK\$
Aaa to Aa3	AAA to AA-	Investment grade - very high grade	12-month ECL	35,954,673	13,254,758
A1 to A3	A+ to A-	Investment grade - high grade	12-month ECL	27,926,940	25,274,500
Baa1 to Baa3	BBB+ to BBB-	Investment grade - good grade	12-month ECL	25,457,618	27,926,186
Ba1 to Ba3	BB+ to BB-	Speculative	12-month ECL	3,086,063	3,091,213
Unrated	Unrated	N/A	12-month ECL	6,954,028	8,984,859
Unrated	Unrated	N/A	Lifetime ECL	1,939,015	1,475,331
				<u>101,318,337</u>	<u>80,006,847</u>

As at 31 December 2025, the carrying amount of debt securities measured at amortised cost held by the Company classified under stage 1 is amounted to HK\$99,379,322 (2024: HK\$78,531,516), classified under stage 2 is amounted to HK\$1,939,015 (2024: HK\$1,475,331). As at 31 December 2025, the ECL allowance under stage 1 is amounted to HK\$26,075 (2024: to HK\$27,296), under stage 2 is amounted to HK\$77,253 (2024: HK\$82,691).

2. For the purposes of internal credit risk management, the company uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2025 HK\$	2024 HK\$
Other receivables	<u>1,675,329</u>	<u>1,564,006</u>

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

ii) Liquidity risk

In the management of the liquidity risk, the Company's objective is to maintain a balance between continuity of funding and flexibility. The Company is able to generate adequate funds to finance its operations and cover claims at unexpected level of demand.

The contractual maturities of all financial liabilities of the Company are less than one year.

The following table summarises the undiscounted cash flows of insurance contracts issued and reinsurance contracts held not measured under the premium allocation approach into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities.

Maturity analysis for portfolios of insurance contracts issued and reinsurance contracts held	Insurance contract liabilities	Reinsurance contract assets	Total
2025/12/31			
0-1 Year	(2,775,177)	867,870	(1,907,307)
1-2 Year	(2,071,349)	22,788	(2,048,561)
2-3 Year	(704,372)	(563,455)	(1,267,827)
3-4 Year	1,246,515	(916,387)	330,128
4-5 Year	3,261,614	(1,464,649)	1,796,965
5-10 Years	21,921,342	(13,004,995)	8,916,347
>10 Years	129,066,616	(75,041,404)	54,025,212
Total	149,945,189	(90,100,232)	59,844,957

Maturity analysis for portfolios of insurance contracts issued and reinsurance contracts held	Insurance contract liabilities	Reinsurance contract assets	Total
2024/12/31			
0-1 Year	(4,147,568)	1,296,293	(2,851,275)
1-2 Year	(2,181,101)	448,463	(1,732,638)
2-3 Year	(1,521,081)	29,790	(1,491,291)
3-4 Year	(297,683)	(525,858)	(823,541)
4-5 Year	1,572,290	(860,045)	712,245
5-10 Years	19,512,143	(9,731,045)	9,781,098
>10 Years	125,486,481	(69,049,050)	56,437,431
Total	138,423,481	(78,391,452)	60,032,029

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

a) Financial risk management - Continued

iii) Interest rate risk

As the Company holds the debt securities at amortised cost and the interest rate of them are fixed for a long period of time, the Company's income derived from debt securities at amortised cost are substantially independent of changes in market interest rates. The Company's expenses and operating cash flows are also substantially independent of changes in market interest rates because the Company does not have significant interest-bearing liabilities.

Bank deposits have an average maturity of 206 days (2024: 162 days). The Company is exposed to interest rate risk from saving accounts. At the end of the reporting date, if interest rate had been 0.5% higher/lower, loss for the year and equity for the year would have been HK\$44,000 lower/higher (2024: HK\$25,000).

The Company has not used any financial instruments to hedge potential fluctuations in interest rates.

iv) Equity price risk

The Company is exposed to equity price risk through its investments in listed equity securities, being equity securities designated at FVTOCI, set out in Note 15(b). The Company's Investment Committee manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2025, the exposure to listed equity securities at fair value was HK\$8,503,577 (2024: HK\$11,676,512). A hypothetical 10% decline in the price of equity securities would have the impact of HK\$850,000 (2024: HK\$1,168,000) on the Company's fair value reserve (non-recycling).

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

b) Insurance risk management

The Company offers life insurance products to personal customers. During the year, all in-force contracts are long-term insurance contracts.

Long-term insurance contracts provide guaranteed death benefit with a fixed level of premium determined at the time of policy issue. For insurance products with savings elements, guaranteed surrender and maturity benefits are usually provided.

To manage the insurance risk arisen from such contracts, the Company has the complete contractual discretion on the bonuses declared and maintained a smooth dividend scale based on long-term rate of return. Annual review is performed to assess whether the current dividend scale is supportable taken into account the overall experience on investment, claims, operating expense and lapse.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. To minimise the credit risk arisen from reinsurance, only a number of companies meeting credit rating standard are selected.

Concentration of risk may arise where a particular event or series of events could impact heavily on the Company's liabilities. Such concentrations may arise from a single contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. The Company mitigates such risk through reinsurance. The Company currently appoints Munich Re to be its sole reinsurer for providing reinsurance services for new business and most of the renewal business, and Reinsurance Group of America (RGA) for very minute existing business (rider policies).

The majority of reinsurance business ceded is placed on both coinsurance and surplus treaty, the policy ceded to the reinsurer if the sum insured exceeds the Company's retention limit. The Company continually reviews, and as necessary increases, its reinsurance protection. The reputation and expertise of reinsurers; and the creditworthiness of reinsurers are to be considered on an annual basis by reviewing their financial strength prior to the finalisation of any contract.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

b) Insurance risk management - Continued

The Company diversified distribution platform by supplementing our main distribution channels with our agents and brokers. As of 31 December 2025, the Company has 359 agents and brokers. Before establishing business relationship with the agents and brokers, the required application documents should be submitted for review and further procedures should only proceed if the supporting documents are in order. The Company needs to perform due diligence for its agents and brokers. Besides, the Company's direct agents must satisfy the CPD requirements set out in the Guideline on Continuing Professional Development for Licensed Insurance Intermediaries (GL24) in each Assessment Period. The Company needs to ensure that each appointed direct agent complies with the CPD requirements applicable to them.

The policyholders of the insurance contracts issued by the Company are mainly residents in Hong Kong.

Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in key assumptions related to determination of insurance and reinsurance contract balances that were reasonably possible at the reporting date had occurred. This disclosure does not offset movements in the fair value of financial assets backing those liabilities. This analysis presents the sensitivities both gross and net of reinsurance contracts held and assumes that all other assumptions remain constant. The effects on profit or loss and equity are presented gross of the related income tax.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

b) Insurance risk management - Continued

Sensitivity analysis of carrying amounts to changes in assumptions

At 31 December 2025							
	Change in assumption	CSM - Gross	CSM - Net	Profit or Loss - Gross	Profit or Loss - Net	Equity - Gross	Equity - Net
Mortality	112.5% of best estimate mortality rates	(14,004,216)	(6,379,179)	(3,101,140)	(1,051,367)	(3,101,140)	(1,051,367)
Mortality	83.5% of best estimate mortality rates	19,818,903	9,476,074	4,388,764	1,608,390	4,388,764	1,608,390
Morbidity	8%-20% increase in morbidity inception rates	(17,727,984)	(10,596,193)	(3,925,744)	(2,008,566)	(3,925,744)	(2,008,566)
Lapse Rate	40% increase in lapse rate	11,383,367	6,385,226	2,520,770	1,177,164	2,520,770	1,177,164
Lapse Rate	40% decrease in lapse rate	(14,937,060)	(8,494,646)	(3,307,712)	(1,575,854)	(3,307,712)	(1,575,854)
At 31 December 2024							
	Change in assumption	CSM - Gross	CSM - Net	Profit or Loss - Gross	Profit or Loss - Net	Equity - Gross	Equity - Net
Mortality	112.5% of best estimate mortality rates	(13,388,798)	(5,896,160)	(2,639,470)	(1,099,349)	(2,639,470)	(1,099,349)
Mortality	83.5% of best estimate mortality rates	18,940,850	8,798,122	3,734,003	1,649,152	3,734,003	1,649,152
Morbidity	8%-20% increase in morbidity inception rates	(17,318,906)	(10,218,771)	(3,414,253)	(1,954,811)	(3,414,253)	(1,954,811)
Lapse Rate	40% increase in lapse rate	10,846,200	5,952,515	2,138,222	1,132,319	2,138,222	1,132,319
Lapse Rate	40% decrease in lapse rate	(14,417,463)	(8,024,150)	(2,842,262)	(1,528,108)	(2,842,262)	(1,528,108)

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. FINANCIAL AND INSURANCE RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

c) Fair values of financial instruments

The fair values of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of debts securities at amortised cost, accounts and other receivables, reinsurance assets, cash and bank balances, insurance liabilities, other payables and accruals are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

The following table presents the carrying value of the Company's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using Level 2 inputs is i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: fair values measured using significant unobservable input.

	Level 1 HK\$
<u>2025</u>	
Assets	
Equity securities designated at FVTOCI	
- Listed	<u>8,503,577</u>
<u>2024</u>	
Assets	
Equity securities designated at FVTOCI	
- Listed	<u>11,676,512</u>

There were no significant transfers of fair value measurements between financial instruments in Level 1 and Level 2 and no transfers into or out of Level 3 in both years. 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, if any.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

24. CAPITAL MANAGEMENT

Externally imposed capital requirements are mainly set and regulated by the Hong Kong Insurance Authority (“HKIA”). These requirements are put in place to ensure sufficient solvency ratio. The Company manages its capital requirements by assessing any shortfalls between the eligible capital and required (a) the prescribed capital amount (“PCA”), (b) the minimum capital amount (“MCA”) and (c) HK\$20,000,000, as defined in the Insurance (Valuation and Capital) Rules (Cap. 41R), on a regular basis.

Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company’s activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return capital to ordinary shareholders. During the year, the Company has complied with all of the externally imposed capital requirements by the HKIA and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

As at 31 December 2025, the Company has no debt in its capital structure.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

25. NEW AND REVISED HKFRS ACCOUNTING STANDARDS NOT YET ADOPTED

The Company has not applied the following new and revised HKFRS Accounting Standards, which have been issued but are not yet effective, in these financial statements:

		Effective for annual reporting periods beginning on or after
Amendments to HKFR 9, Financial instruments and HKFRS7, Financial instruments: disclosures	Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards	Volume 11	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to HKFRS 10, Consolidated financial statements and HKAS 28, Investments in associates and joint ventures	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

26. IMMEDIATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Company is controlled by The Pacific Insurance Company, Limited ("PIC"), a company incorporated in Hong Kong, which owns 100% of the Company's shares and is the immediate holding company. The late Dr. Cheung Huen Cheong Thomas was the ultimate controlling party of the Company until January 2026 when all his shares of PIC and its affiliated companies were transferred to Ms Kao Hsueh Yun, wife and beneficiary of the estate of the late Dr. Cheung according to the Letter of Probate granted by the Hong Kong High Court and with approval of the Insurance Authority of Hong Kong. She became the ultimate controlling party of the Company since then.

THE PACIFIC LIFE ASSURANCE COMPANY, LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 22 April 2026.