

IN THE COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS

IN THE MATTER OF ZÜRICH LEBENSVERSICHERUNGS-GESELLSCHAFT AG
(ALSO KNOWN AS ZURICH LIFE INSURANCE COMPANY LTD)

- and -

IN THE MATTER OF ZURICH LIFE INSURANCE (HONG KONG) LIMITED

- and -

IN THE MATTER OF THE INSURANCE ORDINANCE

SCHEME

for the transfer of the Hong Kong long term business of
Zurich Life Insurance Company Ltd, Hong Kong Branch
to
Zurich Life Insurance (Hong Kong) Limited
pursuant to section 24 of the Insurance Ordinance
(Cap.41 of the Laws of Hong Kong)

8 April 2021

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A. PRELIMINARY

1. DEFINITION

1.1 In this Scheme, terms and expressions defined in the Ordinance shall bear the meanings so defined and the following terms and expressions shall bear the meanings specified opposite them:

Appointed Actuary	in respect of ZLIC or ZLIHK, the person who is appointed as its actuary pursuant to section 15(1)(b) of the Ordinance;
Class A Policies	the Policies falling within Class A (Life and Annuity) of long term business;
Encumbrances	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind, and any other type of preferential arrangement having a similar effect;
Fund Surplus	the underwriting profits derived from the policies of all classes of business that are attributable to the shareholder of ZLIC;
long term business	has the meaning as is given to it in section 2 of the Ordinance;
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China;
Hong Kong Court	the Court of First Instance of the High Court of Hong Kong;
Hong Kong Order	the order of the Hong Kong Court (if granted) pursuant to sections 24 and 25(1) of the Ordinance (including any subsequent order) sanctioning this Scheme and making further provisions for its implementation;
Insurance Authority	the Insurance Authority established under the Ordinance;
Linked Policies	the Policies falling within Class C (Linked Long Term) of long term business;

Ordinance	the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong);
Policy	has the meaning as is given to it in section 2 of the Ordinance;
Proposed Transfer	has the meaning as is given to it in paragraph 2.5;
Scheme	this scheme in its original form with or subject to any modification made pursuant to paragraph 16;
Statutory Records	all books, files, registers, documents, correspondence, papers and other records that are required, by the applicable legal or regulatory requirement or corporate governance requirement (whether or not having the force of law), to be kept by ZLIC and retained in its possession in respect of the ZLIC HK Business;
Swiss Individual Life Policies	the Class A Policies underwritten by ZLIC through its branch in Hong Kong but administered by ZLIC's home office in Switzerland and will continue to be administered by ZLIC's home office in Switzerland under an outsourcing arrangement with ZLIHK after such Policies are transferred to ZLIHK on the Transfer Date as further described in paragraph 2.2;
Transfer Agreement	the transfer agreement to be entered into between ZLIC and ZLIHK in relation to the transfer of the ZLIC HK Business and all other business undertakings of ZLIC Hong Kong Branch to ZLIHK;
Transferring Assets	means: <ul style="list-style-type: none"> (i) the property, assets or investment of ZLIC (including any right, discretion, authority, power or benefit of ZLIC under or by virtue of any Transferring Policies) as is attributable to the ZLIC HK Business, wherever situated; and

- (ii) the rights, benefits and powers of ZLIC under and by virtue of:
 - (a) the contracts between ZLIC and its insurance intermediaries in relation to the ZLIC HK Business;
 - (b) the Transferring Reinsurances;
 - (c) any lease, outsourcing agreements or arrangements, IT and related contracts in respect of the ZLIC HK Business; and
 - (d) any other contracts, agreements, arrangements or undertakings in respect of or concerning the ZLIC HK Business;

Transfer Date

the time and date on which this Scheme shall become effective in accordance with paragraph 15;

Transferring Liabilities

all liabilities of ZLIC as at the Transfer Date attributable to the ZLIC HK Business including, without limitation, the liabilities and obligations (whether present, future or contingent) under or in relation to the Transferring Policies and ZLIC HK Business, and associated liabilities, including, for the avoidance of doubt, liabilities (including fines, penalties, damages and compensation due to policyholders) for mis-selling or non-compliance of ZLIC committed prior to the Transfer Date, as well as any current and/or pending complaints, legal proceedings and/or other dispute resolution proceedings made in relation to the Transferring Policies;

Transferring Policies	(i) any Policy forming part of Class A (Life And Annuity) (including, for the avoidance of doubt, the Swiss Individual Life Policies) or Class C (Linked Long Term) of long term business underwritten by ZLIC in Hong Kong, under which any liability remains outstanding as at the Transfer Date, whether such Policies have been reinstated, have expired, lapsed, matured, surrendered, terminated or otherwise, including all proposals or applications for insurance policies, certificates, supplemental coverages, endorsements, riders and ancillary agreements in connection therewith; and (ii) all proposals or applications for policy renewals received by ZLIC but the processing of which has not been completed by ZLIC prior to the Transfer Date (which shall be processed by ZLIHK after the Transfer Date). The names of the existing insurance products of the Transferring Policies as of 28 February 2021 are set out in the Schedule hereto for reference purpose only;
Transferring Policyholder	the holder of a Transferring Policy;
Transferring Reinsurances	any reinsurance agreements or arrangements under which ZLIC is reinsured in respect of the Transferring Policies;
ZLIC	Zurich Life Insurance Company Ltd, a company incorporated in Switzerland with company number CHE-100.023.846, whose registered office is situated at Austrasse 46, 8045 Zurich, Switzerland, and registered as a non-Hong Kong company in Hong Kong with company number F0001435 where its principal place of business in Hong Kong is situated at 25/F-26/F, One Island East, 18 Westlands Road, Island East, Hong Kong, a joint petitioner;
ZLIC HK Business	the long term business of ZLIC carried on in or from Hong Kong comprising the carrying out of the Transferring Policies, the Transferring Assets and Transferring Liabilities, and all other business undertakings carried on in or from Hong Kong in connection with, ancillary to, and for the purposes of such business;

ZLIC Hong Kong Branch	Zurich Life Insurance Company Ltd, acting through its Hong Kong branch;
ZLIC Life Insurance Fund	the life insurance fund established and maintained by ZLIC prior to the Transfer Date in respect of Class A Policies (other than Swiss Individual Life Policies) of ZLIC HK Business bearing the name of “ <i>Zurich Life Insurance Company Ltd Life Insurance Fund (Class A)</i> ”;
ZLIC Linked Fund	the life insurance fund established and maintained by ZLIC prior to the Transfer Date in respect of Linked Policies of ZLIC HK Business bearing the name of “ <i>Linked Fund (Class C)</i> ”;
ZLIC Swiss Individual Fund	the life insurance fund established and maintained by ZLIC prior to the Transfer Date in respect of Swiss Individual Life Policies of ZLIC HK Business bearing the name of “ <i>Zurich Life Insurance Company Ltd Swiss Individual Fund (Class A)</i> ”;
ZLIHK	Zurich Life Insurance (Hong Kong) Limited, a company incorporated in Hong Kong, whose registered address is at 25/F-26/F, One Island East, 18 Westlands Road, Island East, Hong Kong, a joint petitioner;
ZLIHK Life Insurance Fund	the life insurance fund in respect of Class A Policies (other than Swiss Individual Life Policies) bearing the name of “ <i>Zurich Life Insurance (Hong Kong) Limited Insurance Fund (Class A)</i> ” which shall have been established and maintained by ZLIHK prior to the Transfer Date;
ZLIHK Swiss Individual Fund	the life insurance fund in respect of Swiss Individual Life Policies bearing the name of “ <i>Zurich Life Insurance (Hong Kong) Limited Swiss Individual Fund (Class A)</i> ” to be established and maintained by ZLIHK on and/or from the Transfer Date;

ZLIHK Linked Fund	the life insurance fund in respect of Linked Policies bearing the name of “Zurich Life Insurance (Hong Kong) Limited Linked Fund (Class C)” which shall have been established and maintained prior to the Transfer Date; and
ZLIHK Shareholder's Fund	the shareholder’s fund in respect of the paid-in capital of ZLIHK bearing the name of “ <i>Zurich Life Insurance (Hong Kong) Limited Shareholder’s Fund</i> ” which shall have been established and maintained by ZLIHK prior to the Transfer Date.

1.2 In this Scheme, any reference to:

- (i) a “class” shall be to a class of long term or general business specified in Part 2 or Part 3 (as the case may be) of Schedule 1 of the Ordinance;
- (ii) the term “property” includes (without limitation) property, assets, rights (whether present, future, vested or contingent), discretions, authorities, benefits and powers of every description;
- (ii) the term “liabilities” includes (without limitation) duties and obligations of every description (whether present, future or contingent); and
- (iv) "including" or "includes" means including or includes without limitation.

1.3 Any reference to the singular includes a reference to the plural and vice versa.

1.4 Unless otherwise specified, any reference to any act, statute, ordinance or regulation shall be to such act, statute, ordinance or regulation as from time to time amended.

B. INTRODUCTION

2. ZLIC AND ZLIHK

2.1 ZLIC was incorporated in Switzerland, and was entered in the Commercial Register of Canton Zurich since 28 December 1922. It is a wholly-owned subsidiary of Zurich Insurance Group Ltd., whose shares are listed on the SIX Swiss Exchange, and which is the ultimate parent company of the group of companies ("**Zurich Group**"). ZLIC is an insurance carrier licensed and supervised by the Swiss Financial Market Supervisory Authority ("**FINMA**"). The registered office of ZLIC is situated at Austrasse 46, 8045 Zurich, Switzerland. It was also registered as a non-Hong Kong company under Part XI of the former Companies Ordinance (Cap. 32) (now Part XVI of the Companies Ordinance (Cap. 622)) on 31 August 1984.

2.2 ZLIC is an authorized insurer under the Ordinance with authorization to carry on Classes A (life and annuity), C (linked long term), and I (retirement scheme management category III) of long term business in or from Hong Kong. As part of its

Class A long term business, ZLIC has underwritten Swiss Individual Life Policies through its Hong Kong branch (the "**ZLIC Hong Kong Branch**"), but the accounting and administration of such policies, including paying claims and collecting premiums, are managed by ZLIC's head office in Switzerland and will continue to be managed by ZLIC's head office in Switzerland under an outsourcing arrangement with ZLIHK after such policies are transferred to ZLIHK on the Transfer Date to minimize potential immediate customer impact. However, ZLIHK may reassess the outsourcing arrangement for optimising the longer term administration of such policies as part of its normal business review as to whether the outsourcing arrangement should be continued. Since 1 December 2016, a note has been inserted in the Register of Authorized Insurers maintained by the Insurance Authority, stating that Zurich Life Insurance Company Ltd "has ceased to effect any new contracts of insurance ... in or from Hong Kong". Although ZLIC is authorized to carry on Class I (retirement scheme management category III) of long term business, ZLIC does not have any such existing business. The principal place of business of ZLIC in Hong Kong is at 25/F-26/F, One Island East, 18 Westlands Road, Island East, Hong Kong. After the Transfer Date, it is ZLIC's intention to apply for de-authorisation as an authorized insurer under the Ordinance to carry on any long term business in or from Hong Kong.

- 2.3 ZLIHK was incorporated in Hong Kong on 7 May 2018.
- 2.4 ZLIHK is a wholly-owned subsidiary of Zurich Insurance Holdings (Hong Kong) Limited, which is in turn a wholly owned subsidiary of Zurich Insurance Company Ltd. ("**ZICL**"). ZLIC is also a wholly-owned subsidiary of ZICL, and all are companies within the Zurich Group. ZICL is a global insurance company with around US\$ 303,433,000,000 of assets under management (comprising of group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned, as at 31 December 2020). Other than in Hong Kong, ZICL and its subsidiaries have operations in other key markets including Europe, Middle East, Africa, North America, Asia Pacific and Latin America and in more than 215 countries.
- 2.5 As part of a strategic initiative of the Zurich group, it is proposed that the ZLIC HK Business shall be transferred to and assumed by ZLIHK ("**Proposed Transfer**"). For this purpose, a Transfer Agreement will be entered into between ZLIC and ZLIHK for the Proposed Transfer. ZLIC and ZLIHK consider that the transfer will give rise to the following benefits:
 - (a) simplify ZLIC's company structure and remove the tension within ZLIC as a result of the differing risk profiles and regulatory regimes that apply to its Hong Kong and non-Hong Kong businesses and thus improve the efficiency of compliance within the group;
 - (b) improve the operations of the ZICL group's life insurance business by allocating the decision making to different entities of the ZICL group, allowing each territory within the ZICL group to pursue the strategy that best fit the needs of its market, policyholders and shareholders;
 - (c) better align the ZICL group's business along regional lines;
 - (d) improve the operational efficiency of ZICL group's life insurance business; and

- (e) improve the efficiency of audit and regulatory compliance within the group; as ZLIHK is incorporated in Hong Kong, it will be subject to the Hong Kong regulatory regime alone and not the additional Swiss regulatory requirements that apply to the ZLIC Hong Kong Branch.
- 2.6 In order to take over the ZLIC HK Business carried on by ZLIC, an application was made by ZLIHK to the Insurance Authority on 2 January 2020 for the authorisation to carry on Classes A and C of long term business in or from Hong Kong. On 23 March 2020, formal authorization was granted by the Insurance Authority to ZLIHK to carry on those classes of long term business in or from Hong Kong.
- 2.7 The Proposed Transfer of the ZLIC HK Business will therefore form part of the transaction contemplated under the Transfer Agreement.
- 2.8 The purpose of this Scheme is to transfer the ZLIC HK Business from ZLIC to ZLIHK, pursuant to sections 24 and 25(1) of the Ordinance.
- 2.9 It is agreed by ZLIC and ZLIHK that an application shall be made to the Hong Kong Court under section 24 of the Ordinance to transfer the ZLIC HK Business from ZLIC to ZLIHK, in accordance with the terms of this Scheme and subject to the Hong Kong Order made pursuant to sections 24 and section 25(1) of the Ordinance.
- 2.10 The Proposed Transfer contemplated under this Scheme will not proceed unless the prescribed documents regarding this Scheme have been served on the Insurance Authority pursuant to section 24(3)(c) of the Ordinance and this Scheme is sanctioned by the Hong Kong Order.

C. REGULATORY COMPLIANCE ISSUES

3. UNIT DEALING

- 3.1 ZLIC is the issuer of all the investment-linked assurance schemes ("**ILAS**") under the ZLIC HK Business. In October 2013, ZLIC effected certain changes to the unit dealing mechanism of nine ILAS products, without prior notification to policyholders and going through the necessary regulatory process. As a result of the change in the unit dealing mechanism, there was a one day delay in some of the unit dealing transactions, which may have resulted in a loss of potential investment return to policyholders.
- 3.2 ZLIC has taken steps to rectify the breach by offering compensation to all policy holders who had unit dealing transactions in respect of their ILAS policy during the affected period. ZLIC has also notified all affected policyholders of the changes in 2013. The compensation process (other than in respect of the unpaid compensation as described below) was completed on 18 December 2020.
- 3.3 As at 28 February 2021, there was a total amount of unpaid compensation of USD 9,224.34 (equivalent to approximately HKD71,949.85) involving 1,338 policyholders out of the total amount of compensation payable by ZLIC of USD 246,964.68 (equivalent to approximately HKD1,926,324.50) for various reasons including where the policyholders were unreachable or had given no payment instructions (despite a reminder made by ZLIC in December 2020). In respect of such policyholders, ZLIC shall continue following up with each of them via telephone, SMS and/or email if the

relevant contact information is available. In respect of those policyholders who were reachable but had given no payment instructions, ZLIC shall send a reminder to such policyholders on a quarterly basis. If any compensation remains unpaid, the unpaid amount will remain an obligation of ZLIC and will be retained by ZLIC and paid to the relevant policyholders at any time as requested by them. Once the Proposed Transfer is effected, the unpaid amount will be transferred to ZLIHK and ZLIHK will assume such payment obligations of ZLIC by virtue of the Scheme.

- 3.4 As of today, ZLIC has not received any complaints or objections from the affected policyholders and has responded to all the requisitions and comments so far raised by the relevant regulator(s) on this incident. In the unlikely event that any policyholders with unpaid compensation raises any queries after the Proposed Transfer, ZLIHK undertakes to address such queries in a professional and responsible manner.

4. ANNUAL MANAGEMENT CHARGE

- 4.1 In August 2019, ZLIC discovered that the actual practice of calculation of annual management charge for eleven universal life products deviated from the terms and conditions for such products. The deviation arose from an error in the set up of the system calculation.

- 4.2 ZLIC has taken steps to rectify the breach by offering compensation to all policy holders who suffered losses resulting from the overcharge of annual management charge. The compensation process (other than in respect of the unpaid compensation as described below) was completed on 14 July 2020.

- 4.3 As at 28 February 2021, there was a total amount of unpaid compensation of HKD 18,205.05 involving 713 policyholders out of the total amount of compensation payable by ZLIC of HKD 317,313.65 for various reasons including where the policyholders were unreachable or had given no payment instructions (despite a reminder made by ZLIC in December 2020). In respect of such policyholders, ZLIC shall continue following up with each of them via telephone, SMS and/or email where the relevant contact information is available. In respect of those policyholders who were reachable but had given no payment instructions, ZLIC shall send a reminder to such policyholders on a quarterly basis. If any compensation remains unpaid, the unpaid amount will remain an obligation of ZLIC and will be retained by ZLIC and paid to the relevant policyholders at any time as requested by the policyholders. Once the Proposed Transfer is effected, the unpaid amount will be transferred to ZLIHK and ZLIHK will assume such payment obligations of ZLIC by virtue of the Scheme.

- 4.4 As of today, ZLIC has not received any complaints or objections from the affected policyholders and has responded to all the requisitions and comments so far raised by the relevant regulator(s) on this incident. In the unlikely event that any policyholders with unpaid compensation raises any queries after the Proposed Transfer, ZLIHK undertakes to address such queries in a professional and responsible manner.

5. OTHERS

- 5.1 Based on the knowledge and assessment of ZLIC, other than the regulatory incidents set out in paragraphs 3 and 4 above, ZLIC is not aware of any other local regulatory non-compliance incidents with material outstanding remedial measures, to the effect that policyholders may be adversely affected by the Scheme.
- 5.2 As of today, ZLIC has not received any complaints or objections from any policyholders affected by any other local regulatory non-compliance incidents. If any policyholders (including those with unpaid compensation) raise any queries after the Proposed Transfer, ZLIHK undertakes to address such queries in a professional and responsible manner.

D. OTHER REGULATORY APPROVALS

6. All of the ZLIC HK Business which includes all the ILAS schemes currently underwritten by ZLIC Hong Kong Branch will form part of the Proposed Transfer. In respect of the change of issuer of the ILAS schemes authorized by the Securities and Futures Commission (the "SFC"), in addition to the prescribed documents regarding this Scheme having been served on the Insurance Authority pursuant to section 24(3)(c) of the Ordinance and the sanction of this Scheme by the Hong Kong Order, prior approval of the SFC will be required so that ZLIHK (an authorized insurer in Hong Kong) may continue to operate the ILAS schemes after the Proposed Transfer.

Other than the above, no additional regulatory approval will be required. In particular, although the Swiss Individual Life Policies underwritten by ZLIC through ZLIC Hong Kong Branch will also form part of the Proposed Transfer, ZLIC Hong Kong Branch has been advised by its legal adviser in Switzerland that the transfer of the Swiss Individual Life Policies from ZLIC to ZLIHK will not be subject to the approval of FINMA.

E. THE TRANSFER PROVISIONS

7. TRANSFER OF ASSETS

- 7.1 On and with effect from the Transfer Date, the Transferring Assets shall, by virtue of the Hong Kong Order and without any further act or instrument but subject to paragraph 10.1 below, be transferred by ZLIC to, and vested in, ZLIHK, subject to any Encumbrances in respect thereof.
- 7.2 ZLIHK shall accept without investigation or requisition such title as ZLIC shall have at the Transfer Date to each Transferring Asset then transferred.
- 7.3 ZLIC and ZLIHK shall as and when appropriate execute all such documents, including assignments, and do all such other acts and things as may be required to effect or perfect the transfer to, and vesting in, ZLIHK of any Transferring Asset.

8. TRANSFER OF LIABILITIES

- 8.1 On and with effect from the Transfer Date, each Transferring Liability shall, by virtue of the Hong Kong Order and without any further act or instrument and without

investigation or requisition but subject to paragraph 10.1 below, be transferred by ZLIC to, and become a liability of, ZLIHK, with the effect that ZLIC shall be entirely released from and ZLIHK shall assume all such Transferring Liabilities.

- 8.2 ZLIC and ZLIHK shall as and when appropriate execute all such documents, including assignments, and do all such other acts and things as may be required to effect or perfect the transfer to, and assumption by, ZLIHK of any Transferring Liability.

9. TRANSFER OF TRANSFERRING POLICIES

- 9.1 On and with effect from the Transfer Date, ZLIHK, shall become entitled to all of the rights, benefits, advantages and powers conferred on or vested in ZLIC under, or by virtue of, the Transferring Policies. The Transferring Policies shall on and with effect from the Transfer Date form part of ZLIHK's long term business carried on in or from Hong Kong.
- 9.2 On and with effect from the Transfer Date, all rights, benefits, advantages and powers against ZLIC conferred on or vested in the Transferring Policyholder or other third parties under or in relation to every Transferring Policy shall cease and shall be substituted by the same rights, benefits, advantages and powers against ZLIHK. On the Transfer Date, all Statutory Records and other information relating to the Transferring Policyholders, insureds, beneficiaries and assignees of, or any other persons relating to, the Transferring Policies, including, without limitation, the personal data (as defined under section 2 of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)) of such Transferring Policyholders, insureds, beneficiaries, assignees and other persons, which is held by ZLIC shall be transferred to ZLIHK and ZLIHK shall have the same rights, benefits, advantages and powers in holding and using (and transferring) such information as those of ZLIC prior to the Transfer Date.
- 9.3 In respect of the Transferring Policies under which premiums continue to be payable, the Transferring Policyholders of the Transferring Policies shall account to ZLIHK for any further premiums as and when they become due. ZLIHK shall be entitled to any and all defences, claims, counterclaims and the right of set-off against or under the Transferring Policies which would have been available to ZLIC prior to the Transfer Date.
- 9.4 ZLIHK shall be bound by, observe and perform all terms, conditions and covenants of the Transferring Policies, assume all liabilities and satisfy all claims and demands arising out of or in respect of the Transferring Policies in every way as if ZLIHK and not ZLIC had issued the Transferring Policies.
- 9.5 All terms and conditions of the Transferring Policies (including proposal, quotations, slips, or application forms, illustrative documents, principal brochures, offering documents, riders, schedules and declarations) shall remain unchanged save that, on and with effect from the Transfer Date, all references in the Transferring Policies to "ZLIC" or "ZLIC Hong Kong Branch", its Board of Directors, Appointed Actuary, offices, auditors and any other officers and employees or agents shall be read as reference to "ZLIHK", its Board of Directors, Appointed Actuary, offices, auditors and any other officers and employees or agents (as the case may be); and any reference to "ZLIC" or "ZLIC Hong Kong Branch" in the names of the Transferring Policies will be

read as a reference to "ZLIHK". In particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by "ZLIC" or "ZLIC Hong Kong Branch", its Board of Directors, Appointed Actuary, offices, auditors and any other officers and employees or agents in relation to the Transferring Policies shall, on and with effect from the Transfer Date, be exercisable or required to be performed by "ZLIHK", its Board of Directors, Appointed Actuary, offices, auditors and any other officers and employees or agents.

10. FURTHER OR OTHER ACTS OR ASSURANCE

10.1 Without prejudice to the effect of this Scheme, to the extent that the Scheme and the Hong Kong Order are not effective in transferring and vesting any of the Transferring Assets, Transferring Liabilities or Transferring Policies under this Scheme to and in ZLIHK without further or other acts or assurance (including without limitation the need of obtaining further consent or approval):

- (i) ZLIC and ZLIHK shall do and execute and deliver or procure to be done and executed and delivered all such further acts, deeds, documents, instruments of conveyance, assignment, novation and transfer and all things as may be necessary to give effect to the Scheme, to transfer the ZLIC HK Business and all Transferring Assets, Transferring Liabilities and Transferring Policies to ZLIHK and as ZLIHK may request, in order to effectively convey, assign, transfer, vest and/or record title to each of the Transferring Assets, Transferring Liabilities and Transferring Policies and the ZLIC HK Business in ZLIHK as from the Transfer Date;
- (ii) pending completion of such acts, deeds, documents and things, ZLIC shall as from the Transfer Date:
 - (a) hold the beneficial interest in each of the affected Transferring Assets on trust for ZLIHK, to the extent that it has not been transferred to ZLIHK, and shall pay to ZLIHK promptly upon its receipt of any sums by it with respect to any such affected Transferring Assets; and
 - (b) hold or assume any liabilities in each of the affected Transferring Liabilities for and on behalf of and for the account of ZLIHK;
- (iii) ZLIHK shall from the Transfer Date (at its own costs) assist ZLIC to perform the obligations of ZLIC or discharge such liability of ZLIC in relation to such affected Transferring Assets, Transferring Liabilities and Transferring Policies and failing that, indemnify ZLIC against all liability and any reasonable costs or expense incurred by ZLIC that is directly attributable to such affected Transferring Assets, Transferring Liabilities and Transferring Policies; and
- (iv) ZLIC shall in any event as from the Transfer Date be subject to ZLIHK's directions in respect of any affected Transferring Assets, Transferring Liabilities and Transferring Policies referred to in paragraph 10.1(i) until the affected Transferring Assets, Transferring Liabilities and Transferring Policies are transferred to ZLIHK, and ZLIC shall have authority to act as attorney of ZLIHK in respect of such affected Transferring Assets, Transferring Liabilities and Transferring Policies for all such purposes.

11. CONTINUATION OR COMMENCEMENT OF PROCEEDINGS

- 11.1 By virtue of the Hong Kong Order, on and with effect from the Transfer Date, any judicial, quasi-judicial, disciplinary, administrative, arbitration or legal proceedings, claims or complaints (whether current, pending, threatened or future including those not yet in contemplation) by or against ZLIC in relation to the Transferring Policies, Transferring Assets and Transferring Liabilities shall be continued or commenced by or against ZLIHK in substitution for ZLIC, and ZLIHK shall be entitled to the same defences, claims, counterclaims and rights of set-off as ZLIC in respect thereof.

F. THE INSURANCE FUNDS OF ZLIHK

12. THE ZLIHK INSURANCE FUNDS

Establishment of ZLIHK Insurance Funds

- 12.1 Prior to the Transfer Date, ZLIHK shall have established the ZLIHK Life Insurance Fund and the ZLIHK Shareholder's Fund.
- 12.2 Prior to the Transfer Date, ZLIHK shall have established the ZLIHK Linked Fund for underwriting new Class C policies upon obtaining the requisite regulatory approval.
- 12.3 Effective from the Transfer Date, ZLIHK shall establish the ZLIHK Swiss Individual Fund.
- 12.4 ZLIHK shall procure that, when
- (a) new participating products are launched by ZLIHK; or
 - (b) the size of the potential liability under the participating policies in the ZLIHK Life Insurance Fund is, having regard to appropriate actuarial advice, large enough to warrant a separate fund for investment management,
- a new sub-fund for Class A participating business will be established.

Allocation of Policies, Assets and Liabilities

- 12.5 On and with effect from the Transfer Date:
- (i) all Class A Policies (other than the Swiss Individual Life Policies under Class A) underwritten by ZLIC and in force immediately prior to the Transfer Date shall be allocated to the ZLIHK Life Insurance Fund;

- (ii) all Swiss Individual Life Policies under Class A Policies underwritten by ZLIC and in force immediately prior to the Transfer Date shall be allocated to the ZLIHK Swiss Individual Fund; and
- (iii) all Linked Policies underwritten by ZLIC and in force immediately prior to the Transfer Date shall be allocated to the ZLIHK Linked Fund.

12.6 On and with effect from the Transfer Date, all Transferring Assets allocated to:

- (i) the ZLIC Life Insurance Fund, save for the Fund Surplus, immediately prior to the Transfer Date shall be allocated to the ZLIHK Life Insurance Fund;
- (ii) the ZLIC Swiss Individual Fund, save for the Fund Surplus, immediately prior to the Transfer Date shall be allocated to the ZLIHK Swiss Individual Fund;
- (iii) the ZLIC Linked Fund, save for the Fund Surplus, immediately prior to the Transfer Date shall be allocated to the ZLIHK Linked Fund; and
- (iv) the Fund Surplus immediately prior to the Transfer Date shall be allocated to the ZLIHK Shareholder's Fund.

12.7 All beneficial interest in any property, assets or investments held on trust by ZLIC for ZLIHK pursuant to paragraph 10.1 above shall be allocated to the relevant funds (as applicable) to which such property, assets or investments would have been allocated.

12.8 On and with effect from the Transfer Date, all Transferring Liabilities allocated to:

- (i) the ZLIC Life Insurance Fund immediately prior to the Transfer Date shall be allocated to the ZLIHK Life Insurance Fund;
- (ii) the ZLIC Swiss Individual Fund immediately prior to the Transfer Date shall be allocated to the ZLIHK Swiss Individual Fund; and
- (iii) the ZLIC Linked Fund immediately prior to the Transfer Date shall be allocated to the ZLIHK Linked Fund.

12.9 All liabilities which are required to be satisfied by ZLIHK pursuant to paragraph 10.1 above shall be allocated to the relevant funds (as applicable) to which such liabilities would have been allocated.

G. MISCELLANEOUS PROVISIONS

13. PREMIUMS AND MANDATES

- 13.1 All premiums, loan repayments (if any, and interest thereon) and other amounts received or receivable by ZLIC (or its agents) in respect of any of the Transferring Policies on or after the Transfer Date shall be payable to ZLIHK (or its agents) after the Transfer Date.
- 13.2 ZLIHK (or its agents) shall be irrevocably authorized to endorse for payment any cheques, drafts, orders, postal orders or other instruments payable to, or to the order of, ZLIC (or its agents) and received by ZLIHK (or its agents) in respect of premiums paid or loan repayments (if any) under the Transferring Policies on or after the Transfer Date.
- 13.3 ZLIHK (either itself or via its agents) shall have the sole responsibility for billing and collecting premiums and paying all applicable levies and taxes in respect of premiums accrued under the Transferring Policies on or after the Transfer Date.
- 13.4 Any mandate, autopay authority, standing order or other instruction in force on the Transfer Date and providing for the payment by a bank or other intermediary of premiums payable to or received by ZLIC (or its agents) in respect of any of the Transferring Policies shall, from and after the Transfer Date, take effect as if the same had been provided for and authorized in favour of ZLIHK (or its agents).

14. COSTS AND EXPENSES

ZLIC Hong Kong Branch shall, out of its own funds, pay all costs in relation to the preparation of this Scheme and of ZLIHK's and its presentation to the Hong Kong Court for sanction and all other professional fees related thereto. None of such costs shall be borne by the funds maintained by ZLIC or ZLIHK pursuant to the Ordinance in respect of their respective long term business, general business or other policies of ZLIC or ZLIHK, or the policy holders thereof.

15. TRANSFER DATE

- 15.1 This Scheme shall become effective at 00:01 a.m. hours (Hong Kong time) on such date as ZLIC and ZLIHK may decide, which date shall be within 90 days after the date on which the Hong Kong Order is granted sanctioning this Scheme. Subject to the grant of the Hong Kong Order and the satisfaction of the above-mentioned conditions, it is expected that the Scheme will take effect on 1 September 2021, but it may be subject to change as mutually agreed between the parties.
- 15.2 Unless this Scheme shall become effective on or before 90 days after the date on which the Hong Kong Order is granted, or such later date and/or time, if any, as the parties may decide and the Hong Kong Court may allow, it shall lapse.

16. MODIFICATION

- 16.1 Subject to paragraph 16.3, ZLIC and ZLIHK may apply to the Hong Kong Court for consent to modify, vary or amend the terms of this Scheme, subject to any conditions which the Insurance Authority or the Hong Kong Court may impose.
- 16.2 Subject to paragraph 16.3, the terms of this Scheme shall be modified, varied or amended in accordance with such consent (with conditions, if any) as may be given by the Hong Kong Court under paragraph 16.1.
- 16.3 The consent of the Hong Kong Court shall not be required in relation to modification(s), variation(s) or amendment(s) to correct manifest error(s) of this Scheme provided that the Insurance Authority has been notified of the same and has indicated that it does not object thereto.

17. GOVERNING LAW

This Scheme shall be governed by the laws of Hong Kong.

THE SCHEDULE

Names of the existing insurance products of the Transferring Policies as of 28 February 2021

1. Abundant Life Insurance Plan
2. Brilliant Link
3. Critical Illness Income Protector
4. Critical Illness Protector
5. Delight Living
6. Deluxe Link
7. Deluxe Link Junior
8. Easy Protection Term Insurance Plan
9. Education Saver
10. Extra Care Critical Illness Insurance Plan
11. Extra Care Critical Illness 280 Insurance Plan
12. Family Care Accident Protector
13. Flexi Care
14. Golden Retirement
15. Harvest Link
16. Juvenile 128
17. Lady Protector
18. Lady Protector Plus
19. Life Insurance to Age 86 Plan
20. Maxi Link
21. Maxi Living
22. Platinum Saver Insurance Plan
23. Plenty Care Lady Protection Plan
24. Premier Saver
25. Prestige Living Protection Plan
26. Refundable Triple Protector
27. Renewable Term
28. Term Insurance
29. Term Insurance -Yearly Renewable
30. Royal Link
31. Senior Protector
32. Serene Living Protection Plan
33. Simply Life Insurance Plan
34. Single Premium Whole Life
35. Smart Education Saver
36. Smart Link
37. Smart Living
38. Smart Mortgage Insurance
39. Super Care Critical Illness Insurance Plan
40. Super Protector Critical Illness Plan
41. Supreme Care Critical Illness Insurance Plan
42. Talent Education Saver Insurance Plan

43. Treasure Link
44. Wealth Link
45. Well Cover Medical Insurance Plan
46. Whole Life Hospital Cash
47. Wise Care Critical Illness Insurance Plan
48. Credit Shield
49. Universal Health 100 Medical Plan
50. Endowment Insurance - Insurance with participation in profits
51. Term Risk Insurance - Insurance Plan 2000 with participation in surplus
52. Whole Life Insurance - Insurance with participation in profits
53. Whole Life Insurance - Life insurance without complimentary insurances
54. Annuity Insurance