



China BOCOM Insurance
Company Limited

31 December 2025

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal activity

The principal activity of China BOCOM Insurance Company Limited ("the Company") is underwriting general insurance business, including statutory business.

Results and appropriations

The results of the Company for the year ended 31 December 2025 are set out in the statement of profit or loss and other comprehensive income on pages 9 to 10.

The directors do not recommend the payment of a dividend.

Directors

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

Chen Zhong	(Appointed on 3 April 2025)
Zhang Jian	(Resigned on 12 November 2025)
Zhu Bin	(Appointed on 12 November 2025)
Wang Yijun	(Resigned on 27 January 2025)
Wu Ye	(Resigned on 27 January 2025)
Shan Jidong	(Appointed on 27 January 2025)
Chen Chen	(Appointed on 27 January 2025)
Ngan Man Ho	(Independent non-executive directors)
Zeng Xianggao	(Independent non-executive directors)

In accordance with Article 92 of the Company's Articles of Association, all directors retire from office and, being eligible, offer themselves for re-election.

Controllers

The controllers of the Company during the financial year and up to the date of this report are:

Bank of Communications Company Limited
Bank of Communications (Nominee) Company Limited
Zhu Bin

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporations.

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 Bank of Communications Company Limited.

Charitable donations

There are no charitable and other donations made by the Company during the years ended 31 December 2025 and 2024.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company as at 31 December 2025 are set out in note 18 to the financial statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Indemnity of directors

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Statutory insurance

The Company has, during the year, carried on the following classes of business, other than reinsurance business, relating to liabilities or risks in respect of which persons are required by any ordinance to be insured:

- (a) Employees' compensation liability
- (b) Motor vehicles - third party risks
- (c) Merchant shipping liability

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Zhu Bin

Director

Hong Kong

30 APR 2026

Appendix to Directors' Report

Reinsurance arrangements

A summary of the material reinsurance arrangements effected by the Company is as follows:

<i>Business class</i>	<i>Treaty types</i>	<i>Reinsurers</i>
(1) Property damage	Non-Marine Quota Share & Surplus Treaty	Peak Re – 32.5% General Re AG Singapore Branch – 16.5% Samsung Fire and Marine Insurance - 15% Taiping Re - 11% Everest Re – 7.5% Odyssey Re – 7.5% China Property & Casualty Re - 5% Toa Re - 5%
(2) Accident and health	Non-Marine Quota Share & Surplus Treaty	Peak Re – 32.5% General Re AG Singapore Branch – 16.5% Samsung Fire and Marine Insurance - 15% Taiping Re - 11% Everest Re – 7.5% Odyssey Re – 7.5% China Property & Casualty Re - 5% Toa Re - 5%
(3) General liability	Non-Marine Quota Share & Surplus Treaty	Peak Re – 32.5% General Re AG Singapore Branch – 16.5% Samsung Fire and Marine Insurance - 15% Taiping Re - 11% Everest Re – 7.5% Odyssey Re – 7.5% China Property & Casualty Re - 5% Toa Re - 5%
(4) Goods in transit	Marine Cargo 1st Surplus	Peak Re – 32.5% Samsung Fire and Marine Insurance - 15% ABCI Insurance Company Limited – 11.5% Taiping Re - 11% Toa Re - 12.5% Everest Re – 7.5% Asia Insurance Co. Ltd. – 5% China Property & Casualty Re - 5%
(5) Motor vehicle, damage and liability and, general liability	Combined Liability Excess of Loss Treaty (cover on loss occurrence basis) With total 6 Layers	For 1st to 5th Layers Taiping Reinsurance - 29.5% Peak Re - 28.5% Swiss Re Asia Pte – 22.5% China Property & Casualty Re - 5% Toa Re - 9.5% Asia Insurance Co. Ltd. - 5%
(6) General liability	EC Infectious Diseases Retention Clash Cover	Taiping Reinsurance Company Limited - 100%

Appendix to Directors' Report (continued)

Reinsurance arrangements

	<i>Business class</i>	<i>Treaty types</i>	<i>Reinsurers</i>
(7)	Property damage	Fire Working Excess of Loss Treaty	1st and 3rd Layer: Everest Re – 50% Labuan Reinsurance (L) Ltd., Lubuan, Malaysia - 40% Hannover Ruck Se Shanghai Branch - 10%
(8)	Goods in transit	Marine Cargo Working Excess of Loss Treaty	Everest Reinsurance Company Limited – 100%
(9)	Accident and health	Medical Quota Share Treaty	PICC HK – 66.67% China Property & Casualty Re – 23.07% Taiping Re – 10.26%

Independent auditor's report to the members of China BOCOM Insurance Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of China BOCOM Insurance Company Limited ("the Company") set out on pages 9 to 74, which comprise the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory 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 as 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") as 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 audits of financial statements of public interest entities. We have 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.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as 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 audits of financial statements of public interest entities, and we have 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.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

Independent auditor's report to the members of China BOCOM Insurance Company Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors 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 as 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**Independent auditor's report to the members of
China BOCOM Insurance Company Limited (continued)**
(Incorporated in Hong Kong with limited liability)

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

- 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.

We communicate with the directors 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.

The engagement partner on the audit resulting in this independent auditor's report is LEUNG, Ho Yin (practising certificate number: P08073).


Certified Public Accountants

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

30 APR 2026

Statement of profit or loss and other comprehensive income for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$	2024 HK\$
Insurance revenue	5	292,454,163	327,460,143
Insurance service expenses	5	<u>(236,083,190)</u>	<u>(258,642,326)</u>
Insurance service results from insurance contracts issued		<u>56,370,973</u>	<u>68,817,817</u>
Net expenses from reinsurance contracts held	5	<u>(50,204,548)</u>	<u>(64,499,352)</u>
Insurance service results	5	<u>6,166,425</u>	<u>4,318,465</u>
Insurance finance expenses from insurance contracts issued	6	(10,122,260)	(10,585,057)
Finance income from reinsurance contracts held	6	<u>7,899,811</u>	<u>8,765,624</u>
Net insurance finance expenses		<u>(2,222,449)</u>	<u>(1,819,433)</u>
Net insurance service and financial result		3,943,976	2,499,032
Interest revenue calculated using effective interest method	7	25,387,600	19,086,913
Other investment income	7	8,997,438	10,274,635
Other income		<u>69,967</u>	<u>75,225</u>
		<u>38,398,980</u>	<u>31,935,805</u>
Operating expenses	8	(28,141,629)	(28,552,364)
Other finance costs	9	<u>(4,162,448)</u>	<u>(215,096)</u>
Profit before tax		6,094,903	3,168,345
Income tax credit/(expense)	10	<u>2,300,878</u>	<u>(275,000)</u>
Profit for the year		<u>8,395,781</u>	<u>2,893,345</u>

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2025 (continued)**
(Expressed in Hong Kong dollars)

	Note	2025 HK\$	2024 HK\$
Other comprehensive income:			
Net change in fair value of financial assets measured at fair value through other comprehensive income		9,144,717	9,233,777
Related tax	20	<u>(1,508,878)</u>	<u>(2,030,000)</u>
Other comprehensive income for the year, net of tax		<u>7,635,839</u>	<u>7,203,777</u>
Total comprehensive income for the year		<u>16,031,620</u>	<u>10,097,122</u>

The notes on pages 16 to 74 form part of these financial statements.

Statement of financial position at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	31 December 2025 HK\$	31 December 2024 HK\$
Assets			
Property and equipment	11	4,768,585	5,393,187
Intangible assets	12	5,394,676	6,072,959
Right-of-use assets	19	11,545,096	4,625,643
Reinsurance contract assets	14	294,467,854	298,490,522
Financial assets at fair value through profit or loss	13	256,436,978	248,551,179
Financial assets at fair value through other comprehensive income	13	361,143,203	237,178,655
Other receivables, deposits and prepayments		16,709,902	28,896,508
Deferred tax assets	20	13,531,000	12,739,000
Cash and cash equivalents	15	<u>143,859,632</u>	<u>151,868,535</u>
Total assets		<u>1,107,856,926</u>	<u>993,816,188</u>
Equity			
Share capital	16	400,000,000	400,000,000
Investment revaluation reserve		(6,328,806)	(13,964,645)
Contingency reserve	17	19,750,194	17,468,901
Retained earnings		<u>171,559,476</u>	<u>165,444,988</u>
Total equity		<u>584,980,864</u>	<u>568,949,244</u>

Statement of changes in equity for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	Share capital HK\$	Investment revaluation reserve HK\$	Contingency reserve HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2024		400,000,000	(21,168,422)	15,023,309	164,997,235	558,852,122
Profit for the year		-	-	-	2,893,345	2,893,345
Other comprehensive income		-	7,203,777	-	-	7,203,777
Total comprehensive income for the year		-	7,203,777	-	2,893,345	10,097,122
Transfer of retained earnings to contingency reserve	17	-	-	2,445,592	(2,445,592)	-
At 31 December 2024		400,000,000	(13,964,645)	17,468,901	165,444,988	568,949,244
At 1 January 2025		400,000,000	(13,964,645)	17,468,901	165,444,988	568,949,244
Profit for the year		-	-	-	6,886,903	6,886,903
Other comprehensive income		-	7,635,839	-	1,508,878	9,144,717
Total comprehensive income for the year		-	7,635,839	-	8,395,781	16,031,620
Transfer of retained earnings to contingency reserve	17	-	-	2,281,293	(2,281,293)	-
At 31 December 2025		400,000,000	(6,328,806)	19,750,194	171,559,476	584,980,864

The notes on pages 16 to 74 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$	2024 HK\$
Cash flows from operating activities			
Profit before tax		6,094,903	3,168,345
Adjustments for:			
Depreciation on property and equipment	11	1,302,043	1,348,861
Amortisation on intangible assets	12	678,283	678,283
Depreciation of right-of-use assets	19	7,123,560	7,018,285
Interest expenses	9	4,162,448	215,096
Interest income	7	(25,387,600)	(19,086,913)
Dividend income	7	(823,955)	(439,901)
Net exchange (losses)/gains	7	(56,350)	943,693
Net realised (gains)/losses from financial assets at fair value through other comprehensive income	7	(807,771)	29,207
Net realised gains from financial assets at fair value through profit or loss	7	(1,668,216)	(441,133)
Net unrealised gains on financial assets at fair value through profit or loss	7	(6,288,329)	(10,349,591)
ECL movement for the year	7	647,183	(16,910)
Operating cash flows before working capital changes		(15,023,802)	(16,932,678)
Increase in other receivables, deposits and prepayments		(1,685,652)	(8,232,473)
Decrease in reinsurance contract assets		4,022,668	13,660,315
Decrease in insurance contract liabilities		(31,903,856)	(20,420,613)
(Decrease)/Increase in other payables		(1,427,617)	1,608,259
Cash used in operations		(46,018,259)	(30,317,190)
Net cash used in operating activities		(46,018,259)	(30,317,190)

Cash flow statement for the year ended 31 December 2025 (continued)

(Expressed in Hong Kong dollars)

	Note	2025 HK\$	2024 HK\$
Cash flows from investing activities			
Payment for purchase of property and equipment	11	(679,593)	(460,134)
Payment for purchase of financial assets at fair value through profit or loss		(14,566,592)	(13,701,562)
Payment for purchase of financial assets at fair value through other comprehensive income		(160,546,376)	-
Proceeds from disposal of property and equipment		2,152	-
Proceeds from sale of financial assets at fair value through profit or loss		20,916,435	46,424,504
Proceeds from sale of financial assets at fair value through other comprehensive income		50,512,794	15,634,082
Interest received		28,480,460	20,761,168
Dividend received		823,955	439,901
Net cash (used in)/generated from investing activities		<u>(75,056,765)</u>	<u>69,097,959</u>
Cash flows from financing activities			
Proceeds from bank loan		122,603,459	-
Interest paid for bank loan		(2,341,425)	-
Interest element on lease liabilities		(252,396)	(215,096)
Principal elements of lease payments	15(b)	<u>(6,943,517)</u>	<u>(7,208,701)</u>
Net cash generated from/(used in) financing activities		<u>113,066,121</u>	<u>(7,423,797)</u>
Net increase in cash and equivalents		(8,008,903)	31,356,972
Cash and cash equivalents at 1 January		<u>151,868,535</u>	<u>120,511,563</u>
Cash and cash equivalents at 31 December	15(a)	<u>143,859,632</u>	<u>151,868,535</u>

The notes on pages 16 to 74 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

China BOCOM Insurance Company Limited (the “Company”) underwrites non-life insurance risk, such as those associated with property, cargo, liability, employees compensation and motor insurance, etc. These products are mainly offered in Hong Kong.

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 18/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

These financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 Summary of material accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all applicable individual HKFRS Accounting 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 requirements of the Hong Kong Companies Ordinance Cap.622.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. period reflected in these financial statements.

2.2 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, except for certain financial assets (see note 2.7), which are carried at fair value, insurance contract liabilities and reinsurance contract assets.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Summary of material accounting policies (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 Changes in accounting policies and disclosures

New and amended standards adopted

The Company has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 21, The effects of changes in foreign exchange rates - Lack of exchangeability

The material accounting policies adopted in the preparation of the Company's financial statements are set out below. These policies have been applied consistently in all periods presented.

2.4 Property and equipment

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

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

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture and fixtures	Over the shorter of lease term or 5 years
Office equipment	Over the shorter of lease term or 5 years
Computer equipment	3 to 10 years
Leasehold improvement	Over the lease term
Motor vehicle	5 years

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

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

2 Summary of material accounting policies (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2.5 Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary. The estimated useful life for intangible assets of the Company is as follows:

Computer software	10 years
-------------------	----------

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.6 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

2 Summary of material accounting policies (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

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

2 Summary of material accounting policies (continued)

2.7 Financial assets

The Company classifies its financial assets into the following categories: at amortised cost, at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The classification depends on the nature and business model of the financial assets and is determined at the time of initial recognition. 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.

(a) Equity investment

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Company makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income (see note 7).

(b) Non-equity investment

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income calculated using the effective interest method (see note 2.15), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- FVOCI, recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

2 Summary of material accounting policies (continued)

2.7 Financial assets (continued)

(c) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 to the gross carrying amount of the financial asset.

Interest income is recognised on an effective interest basis.

2 Summary of material accounting policies (continued)

2.8 Credit loss and impairment of assets

(a) Credit losses from financial instruments

The Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale); and
- debt securities measured at FVOCI (recycling).

Measurement of ECLs

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

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

- fixed-rate financial assets, other receivables and deposit: effective interest rate determined at initial recognition or an approximation thereof;

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date

2 Summary of material accounting policies (continued)

Credit-impaired financial assets

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

(b) Impairment of other non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Summary of material accounting policies (continued)

2.9 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified either as financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Initial recognition and measurement

Financial liabilities within the scope of HKFRS 9 are classified as financial liabilities at fair value through profit or loss and at amortised cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities include other payables which are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the amortised cost on initial recognition.

Interest expense is recognised on an effective interest basis.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Summary of material accounting policies (continued)

2.11 Cash and cash equivalents

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

2.12 Insurance contracts

(a) Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

All insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

(b) Separation of insurance contracts

Where multiple insurance components are presented in a single contract, these multiple insurance components are measured separately where facts and circumstances indicate that separation more appropriately reflects the economic substance of the contract. Currently, the Company's products do not include any insurance components that require separation.

(c) Significant insurance risk test

The Company performs significant insurance risk testing on insurance contract issued and reinsurance contracts held at the contract inception date. In performing the significant insurance risk test, the Company determines that contracts that simultaneously meet the following conditions transfer significant insurance risk:

Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance (i.e. no discernible effect on the economics of the transaction). If an insured event could mean significant additional amounts would be payable in any scenario that has commercial substance, the condition in the previous sentence can be met even if the insured event is extremely unlikely, or even if the expected (i.e. 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.

In addition, a contract transfers significant insurance risk only if there is a scenario that has commercial substance in which the issuer 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.

2 Summary of material accounting policies (continued)

(d) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- for a group of contracts, when facts and circumstances indicate that the group becomes onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts held

Reinsurance contracts held are similar to insurance contracts issued and are aggregated and recognised using the same way as insurance contracts issued. Reinsurance contracts held are divided, grouped and recognised on the following date:

- Reinsurance contracts initiated by the Company that provide proportionate coverage: The beginning of the coverage period of the group of reinsurance contracts held or date on which any underlying insurance contract is initially recognised if the date is later than the beginning of the coverage period of the group of reinsurance contracts held. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company's quota share and surplus reinsurance contracts.

2 Summary of material accounting policies (continued)

- Other reinsurance contracts initiated by the Company: the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company's excess of loss reinsurance contracts.

(e) Insurance acquisition cash flows

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.

(f) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

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.

2 Summary of material accounting policies (continued)

(g) Measurement

The Company uses the premium allocation approach ("PAA") to simplify the measurement of groups of contracts when the coverage period of each contract in the group is one year or less; or the Company reasonably expects that the resulting measurement of the liability for remaining coverage ("LRC") would not differ materially from the result of applying the accounting policies for contracts measured under the general measurement model ("GMM") at inception.

No contracts are measured using the variable fee approach and the general measurement model.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, 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.

Unless when measuring a loss component, the Company does not adjust the liability for remaining coverage for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because the financing component is not considered to be significant.

The Company applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

For contracts measured under the PAA, the liability for incurred claims ("LIC") is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money, since the insurance contracts issued by the Company and measured under the PAA typically have a settlement period of over one year.

Measurement for LIC under GMM at each of subsequent reporting dates is:

- a. estimates of the present value of future cash flows
- b. risk adjustment for non-financial risk

2 Summary of material accounting policies (continued)

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the fulfilment cash flows ("FCF") determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. The Company adjusts the carrying amount of the asset for remaining coverage of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not covered by the reinsurance contract, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are presented in the net expenses from reinsurance contracts held.

The Company does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

Derecognition and contract modification

The Company derecognises a contract when it is extinguished

- i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

2 Summary of material accounting policies (continued)

(h) Presentation

Insurance contract assets and liabilities

Portfolios of insurance contracts in an asset position are presented separately from those in a liability position (no offsetting). Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the liability for remaining coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the following bases:

- certain property contracts: the expected timing of incurred insurance service expenses; and
- other contracts: the passage of time.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation;
- changes that relate to past service (changes in the fulfilment cash flows relating to the liability for incurred claims); and
- changes in the loss component (changes in the fulfilment cash flows that result in onerous contract losses or reversals of those losses).

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

2 Summary of material accounting policies (continued)

Net income/(expenses) from 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 recoveries of insurance service expenses from reinsurer recognised in profit or loss excludes any investment components of the reinsurance contracts held.

For reinsurance contracts held measured under the PAA, the Company recognises the allocation of reinsurance premiums paid as following:

- Based on the passage of time over the coverage period of a group of contracts;
- If the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then based on the expected timing of incurred insurance service expenses.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the liability for incurred claims; and
- the effect of changes in interest rates and other financial assumptions.

2 Summary of material accounting policies (continued)

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, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75 % (2024: 75%) percentile (the target confidence level) over the expected present value of the future cash flows.

2.13 Employee benefits

Salaries, annual bonuses, paid annual leave and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other defined contribution retirement plan, are recognised as an expense when employees have rendered services entitling to the contributions.

2.14 Current and deferred income tax

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 Summary of material accounting policies (continued)

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(c) Offsetting

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

2.15 Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of profit or loss as follows:

(a) Insurance revenue

The accounting policies for the recognition of insurance revenue are disclosed in note 2.12.

(b) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

2 Summary of material accounting policies (continued)

(c) Dividends

Dividends are recognised as net investment in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.16 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in HK\$, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

2.17 Borrowing costs

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

2.18 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching with it and that the grant will be received.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Summary of material accounting policies (continued)

2.19 Contingency reserve

Contingency reserve represents a reserve to cover unexpired default risk in respect of mortgage guarantee insurance policies and is computed as 50% of the net earned premiums written on these policies. The reserve is released to the profit or loss on expiry of the tenth year subsequent to the inception of the policies, when it is estimated that the amount of claim losses arising from the default in mortgage repayment can be assessed with reasonable accuracy.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2.21 Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.

2 Summary of material accounting policies (continued)

- (b) An entity is related to the company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members 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.

3 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Insurance and reinsurance contracts

The Company makes a reasonable estimate of the payments which the Company is required to make in fulfilling its obligations under the insurance contracts, based on information currently available at the end of the reporting period. The Company makes an estimate of assumptions used in the measurement of insurance contract, such assumptions including but not limited to mortality, morbidity, lapse rates, expenses, policy dividend, claim development factors, expected claim ratio and discount rates. Also, the Company determines estimates for premiums and claims data not received from ceding companies at the date of the financial statements on the basis of historical information, actuarial analyses, financing modeling and other analytical techniques.

3 Critical accounting estimates and judgments (continued)

(i) Eligibility considerations of the PAA

The Company applies the PAA to simplify the measurement of contracts. In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the GMM.

The Company exercises significant judgement to determine whether there the LRC measured under GMM is materially different with the LRC measured under PAA. In the event for a group of insurance contracts, the LRC results between the measurement model differs larger than the thresholds determined by the Company, the PAA will not be available and the Company shall apply the GMM to measure that group of insurance contracts.

The judgements exercised in setting the thresholds to determine “material difference” in the above assessment fundamentally affect the approach the group of insurance contracts is recognised and presented in the financial statements. The accounting policy on PAA’s recognition and measurement is described in note 2.12.

(ii) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company’s objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

Assumptions that used in estimating future cash flows are developed by product type at local entity level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Significant assumptions used are discussed below and in note 2.12.

(iii) Discount rates

The bottom-up approach was applied in the determination of the discounts rates for different products.

The Company adopts the risk-free rates from Hong Kong Risk-based Capital (“RBC”) as the source of liquid risk-free yield curve. The risk-free rates will be constructed through interpolation between market observable maturities which will be performed using the Smith-Wilson method.

3 Critical accounting estimates and judgments (continued)

The RBC risk-free rates represents nominal risk-free rates that include future inflation. Hence, the RBC risk-free rates shall be applied in discounting nominal cash flows (i.e. include the effect of inflation).

The risk-free rates that have been used to discount estimates of future cash flows to fulfil insurance contracts are as follows:

	Currency	2025				2024			
		1 year	5 year	10 year	12 year	1 year	5 year	10 year	12 year
All lines of business	HKD	2.63%	3.02%	3.74%	3.81%	3.88%	3.56%	3.78%	3.86%

3.2 Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not available (for example, unlisted private equity fund) are determined using valuation techniques or counterparty quotation. The Company uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

3.3 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of management judgment. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset.

3.4 Estimation of realisability of deferred income tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. As those deferred income tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred income tax assets are recognised if it becomes probable that future taxable profits will allow the deferred income tax asset to be recovered. As at 31 December 2025, the Company recognised deferred income tax assets of HK\$13,531,000 (2024: HK\$12,739,000).

4 Management of insurance and financial risk

4.1 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company is providing general insurance products and services in Hong Kong. Management of insurance risks and financial risks is a critical aspect of the business. Insurance risks are managed through application of various policies and procedures in connection with underwriting, pricing, claims and reinsurance as well as experience monitoring.

The Company uses several methods to assess and monitor insurance exposures both for individual types of risks, insurance and overall risks. These methods include internal risk management models, sensitivity analysis and scenario analysis.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any year may vary from those estimated using established statistical techniques.

Financial risk and insurance risk management objectives and policies

The Company's major financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other receivables, deposits, cash and cash equivalents and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk. The Company also has insurance related assets and liabilities, including reinsurance assets and insurance contract liabilities, which bear similar risks. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

4 Management of insurance and financial risk (continued)

Categories of financial and insurance assets and liabilities

	2025 HK\$	2024 HK\$
Financial assets		
Financial assets at fair value through profit or loss	256,436,978	248,551,179
Financial assets at fair value through other comprehensive income	<u>361,143,203</u>	<u>237,178,655</u>
At amortised cost:		
Other receivables and deposits	15,357,143	6,507,194
Cash and cash equivalents	<u>143,859,632</u>	<u>151,868,535</u>
	<u>159,216,775</u>	<u>158,375,729</u>
Financial liabilities		
Other payables	<u>27,439,995</u>	<u>27,229,976</u>
Insurance-related assets		
Reinsurance assets	<u>294,467,854</u>	<u>298,490,522</u>
Insurance-related liabilities		
Insurance contract liabilities	<u>360,961,138</u>	<u>392,864,994</u>

4.2 Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is reviewed annually to set the nature and classes of business that the Company is prepared to underwrite. This strategy is further cascaded down to individual underwriters through detailed underwriting authorities that sets out the limits that any one underwriter can write per risk in order to ensure appropriate risk selection within the portfolio.

Adherence to the underwriting authorities is measured through ongoing review by the senior management. In addition, the Underwriting and Reinsurance Committee regularly reviews and monitors the underwriting performance to ensure adherence to the underwriting objectives.

4 Management of insurance and financial risk (continued)

4.3 Reinsurance strategy

The Company arranges reinsurance protections with a combination of proportional and non-proportional treaties in order to diversify its risk exposure and to protect its net retention exposure to avoid any significant adverse impact to its financial performance. In addition, underwriters are allowed to arrange facultative reinsurance in certain specified circumstances. The reinsurance protections, both treaties and facultative, are chosen after careful consideration of reinsurers' reputation, credit-worthiness and financial strengths, where the Company only uses a list of approved reinsurers and requires to have a minimum credit rating of A- by Standard & Poor's or AM Best unless specifically approved by the senior management. In addition, the Underwriting and Reinsurance Committee of the Company reviews the treaties arrangement on an annual basis based on the Company's selection criteria.

4.4 Terms and conditions of insurance contracts

Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

Product features

The Company offers insurance contracts of general insurance products for personal lines and commercial lines, such as property, cargo, liability, employees compensation and motor insurance etc. The Company shall pay the policyholder for the losses arising from an insurable event.

Liability insurance including employees compensation and motor is generally considered as "long tail" line as it takes a relatively long period of time to finalise and settle claims for a given accident year. This line is typically the largest source of uncertainty regarding claim provisions due to reporting lag, potential amounts involved and complexity of the claims.

Property insurance is classified as "short tail" line since the event giving rise to a claim is easily determinable and thus the claim will be notified promptly and can be settled without delay.

Management of risks

The main risks associated with the insurance contracts are those relating to underwriting.

The Company's Underwriting Department is responsible for daily underwriting operations. All incoming quotations are screened and analysed by the underwriting staff. The decision to underwrite and the level of risk exposure accepted are determined by reference to the underwriting guidelines setting out the types of business desired and the maximum capacity per risk and area. Such criteria are determined by considering factors including the risk exposure, the pricing, the profit potential, the class of business, the marketing strategy, the reinsurance protection available and the market trends. In addition, for liability insurance, the Company will control the business portfolio mix to ensure that the liability classes would not exceed a certain level.

4 Management of insurance and financial risk (continued)

The Company mainly underwrites risk in Hong Kong with a few classes covering risk worldwide, such as goods in transit, medical insurance, travel insurance and personal accident insurance.

4.5 Insurance risk

The majority of insurance contracts issued by the Company is general insurance contract of property damage and general liability. The Company has entered into several reinsurance contracts to mitigate the insurance risk.

The major product assumption is claims loss. The Company uses assumptions based on a mixture of internal and market data to measure its claims loss. Internal data is derived mostly from the Company's claims reports and screening of the actual insurance contracts carried out in prior years. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims.

4 Management of insurance and financial risk (continued)

4.6 Claims development

The following tables reflect the cumulative incurred claims for each successive accident year at end of each reporting period, together with cumulative payments to date.

Claims development of the Company as at 31 December 2025 are as disclosed below:

Insurance claims – gross

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	Total HK\$'000
Accident year						
Estimate of cumulative ultimate claims costs (gross of reinsurance, undiscounted)						
- At end of accident year	100,438	177,454	244,090	231,278	188,021	
- One year later	127,883	188,360	232,443	219,171	-	
- Two years later	120,119	174,520	223,768	-	-	
- Three years later	96,480	169,943	-	-	-	
- Four years later	93,714	-	-	-	-	
	93,714	169,943	223,768	219,171	188,021	894,617
Cumulative gross claims and other directly attributable expenses paid	(83,045)	(147,273)	(163,444)	(152,262)	(60,417)	(606,441)
Gross claims liabilities - accident years from 2021 to 2025	10,669	22,670	60,324	66,909	127,604	288,176
Gross claims liabilities - prior accident year						36,388
Claims payable balance recognised in gross claims liabilities						71,665
Effect of discounting						(9,396)
Effect of the risk adjustment margin for non- financial risk						36,365
Gross liabilities for incurred claims included in the statement of financial position (Note 14)						423,198

4 Management of insurance and financial risk (continued)

Insurance claims, net

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	Total HK\$'000
Accident year						
Estimate of cumulative ultimate claims costs (net of reinsurance, undiscounted)						
- At end of accident year	20,279	27,219	27,748	39,923	36,653	
- One year later	31,444	29,625	26,099	31,268	-	
- Two years later	30,397	22,851	22,798	-	-	
- Three years later	25,961	20,946	-	-	-	
- Four years later	25,290	-	-	-	-	
	25,290	20,946	22,798	31,268	36,653	136,955
Cumulative net claims and other directly attributable expenses paid	(23,265)	(17,560)	(13,433)	(12,675)	(3,385)	(70,318)
Net claims liabilities - accident years from 2021 to 2025	2,025	3,386	9,365	18,592	33,268	66,637
Net claims liabilities - prior accident year						2,738
Claims payable balance recognised in net claims liabilities						(21,797)
Effect of discounting						(1,943)
Effect of the risk adjustment margin for non- financial risk						7,572
Net liabilities for incurred claims included in the statement of financial position (Note 14)						53,207

4 Management of insurance and financial risk (continued)

Claims development of the Company as at 31 December 2024 are as disclosed below:

Insurance claims – gross

	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	Total HK\$'000
Accident year						
Estimate of cumulative ultimate claims costs (gross of reinsurance, undiscounted)						
- At end of accident year	116,203	100,438	177,454	244,090	231,278	
- One year later	109,852	127,883	188,360	232,443	-	
- Two years later	106,878	120,119	174,520	-	-	
- Three years later	105,491	96,480	-	-	-	
- Four years later	99,757	-	-	-	-	
	99,757	96,480	174,520	232,443	231,278	834,478
Cumulative gross claims and other directly attributable expenses paid	(89,692)	(80,884)	(137,645)	(142,298)	(76,483)	(527,002)
Gross claims liabilities - accident years from 2020 to 2024	10,065	15,596	36,875	90,145	154,795	307,476
Gross claims liabilities - prior accident year						37,440
Claims payable balance recognised in gross claims liabilities						114,084
Effect of discounting						(19,689)
Effect of the risk adjustment margin for non- financial risk						37,502
Gross liabilities for incurred claims included in the statement of financial position (Note 14)						476,813

4 Management of insurance and financial risk (continued)

Insurance claims, net

	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	Total HK\$'000
Accident year						
Estimate of cumulative ultimate claims costs (net of reinsurance, undiscounted)						
- At end of accident year	23,543	20,279	27,219	27,748	39,923	
- One year later	25,862	31,444	29,625	26,099	-	
- Two years later	25,934	30,397	22,851	-	-	
- Three years later	25,783	25,961	-	-	-	
- Four years later	23,275	-	-	-	-	
	23,275	25,961	22,851	26,099	39,923	138,109
Cumulative net claims and other directly attributable expenses paid	(21,938)	(22,266)	(16,336)	(9,096)	(3,243)	(72,879)
Net claims liabilities - accident years from 2020 to 2024	1,337	3,695	6,515	17,003	36,680	65,230
Net claims liabilities - prior accident year						3,303
Claims payable balance recognised in net claims liabilities						2,608
Effect of discounting						(2,979)
Effect of the risk adjustment margin for non- financial risk						7,299
Net liabilities for incurred claims included in the statement of financial position (Note 14)						75,461

4.7 Financial risk

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

The Company manages these positions within an asset-liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts.

4 Management of insurance and financial risk (continued)

(a) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

(i) Interest rate risk

Maturity dates for interest-bearing financial assets which do not reprice before maturity	Up to 3 months HK\$	3 to 6 months HK\$	6 to 12 months HK\$	1 to 5 years HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
2025							
Financial assets (TOTAL=FVTPL+FVOCI)							
- Debt Securities	-	46,690,904	13,701,562	253,597,917	102,265,996	-	416,256,379
Weighted average interest rate	0.00%	4.17%	8.70%	6.48%	4.16%		
FVTPL							
- Debt securities	-	-	13,701,562	-	41,411,614	-	55,113,176
Weighted average interest rate	0.00%	0.00%	8.70%	0.00%	5.20%		
FVOCI							
- Debt securities	-	46,690,904	-	253,597,917	60,854,382	-	361,143,203
Weighted average interest rate	0.00%	4.17%	0.00%	6.48%	3.44%		
2024							
Financial assets at fair value through profit or loss							
- Debt securities	-	-	17,585,996	-	41,049,795	-	58,635,791
Financial assets at fair value through other comprehensive income							
- Debt securities	-	3,888,169	27,080,377	105,986,173	100,223,936	-	237,178,655
Total	-	3,888,169	44,666,373	105,986,173	141,273,731	-	295,814,446
Weighted average interest rate	0.00%	6.10%	8.53%	3.78%	3.59%		

4 Management of insurance and financial risk (continued)

The Company's sensitivity to movements in interest rates in relation to the value of fixed interest securities is shown in the table as below.

	Financial impact			
	(Decrease)/ increase in equity 2025 HK\$	(Decrease)/ increase in profit or loss 2025 HK\$	(Decrease)/ increase in equity 2024 HK\$	(Decrease)/ increase in profit or loss 2024 HK\$
Interest rate +1%	(16,592,669)	(4,691,315)	(20,887,186)	(5,352,092)
Interest rate -1%	18,118,273	5,721,423	23,555,868	6,565,328

The Company is exposed to cash flow interest rate risk in relation to bank balances carried at prevailing market rates. No interest rate risk sensitivity analysis is prepared as the directors consider the exposure is minimal.

(ii) Equity price risk

As at 31 December 2025 and 2024, the Company has a portfolio of listed shares, private equity, listed equity funds and private equity funds, which are carried at fair value and exposed to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality and liquid equity funds. Total value of investments in listed shares and listed equity funds and the unrealised gain/loss comparing the market value to cost are monitored regularly. The Company also have investments in private equity and private equity funds, which are carried at fair value based on certain estimates of market conditions and assumptions made on the discounted cashflow assessment.

The potential impact of movements in the market value of listed shares and listed equity funds investments on the Company is shown in the sensitivity analysis below.

	Financial impact			
	(Decrease)/ increase in equity 2025 HK\$	(Decrease)/ increase in profit or loss 2025 HK\$	(Decrease)/ increase in equity 2024 HK\$	(Decrease)/ increase in profit or loss 2024 HK\$
Listed shares and equity funds market value +10%	1,539,865	1,539,865	1,859,825	1,859,825
Listed shares and equity funds market value -10%	(1,539,865)	(1,539,865)	(1,859,825)	(1,859,825)

4 Management of insurance and financial risk (continued)

(iii) Currency risk

Foreign currency risk mainly arises from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are denominated United States dollars ("US\$") and Euro dollars ("EUR"). The following table details the Company's sensitivity to a 1 per cent change in HK\$ against US\$ and EUR. There is exposure in US\$ and EUR as at 31 December 2025.

	Financial impact			
	(Decrease)/ increase in equity 2025 HK\$	(Decrease)/ increase in profit or loss 2025 HK\$	(Decrease)/ increase in equity 2024 HK\$	(Decrease)/ increase in profit or loss 2024 HK\$
HK\$ appreciates by 1% against US\$	(4,745,056)	(4,745,056)	(4,824,593)	(4,824,593)
HK\$ depreciates by 1% against US\$	4,745,056	4,745,056	4,824,593	4,824,593
EUR appreciates by 1% against US\$	(1,280,746)	(1,280,746)	-	-
EUR depreciates by 1% against US\$	1,280,746	1,280,746	-	-

(b) Credit risk

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

- reinsurance contract assets; and
- counterparty risk with respect to investment transactions.

The Company is exposed to credit risk primarily associated with the counterparties to a reinsurance contract and the issuers of debt securities. To reduce the credit risk with reinsurance contract counterparties, the Company takes into accounts, among other factors, ratings and evaluation by recognised credit rating agencies as well as the Company's past transaction experience with them.

The Company also spreads out the credit risk by reinsuring with a number of reinsurers subject to an approved list of reinsurers.

To reduce the credit risk associated with fixed income investment in debt securities, the investment guideline set out by management in respect of the type, the maximum allowed percentage of certain investment, as well as the minimum credit rating of debt issuers is required to be complied with when executing investment decisions.

4 Management of insurance and financial risk (continued)

The following tables provide information regarding the significant aggregate credit risk exposure of the Company at the reporting date. The analysis classifies the assets according to rating agency's designation.

	AAA to A-HK\$	BBB+ to BBB-HK\$	Below BBB-HK\$	Unrated HK\$	Total HK\$
As at 31 December 2025					
Financial assets at fair value through profit or loss	-	41,411,614	-	215,025,364	256,436,978
Financial assets at fair value through other comprehensive income	127,793,470	105,151,471	-	128,198,262	361,143,203
Other receivables, deposits and prepayments	-	-	-	16,709,902	16,709,902
Reinsurance contract assets	-	-	-	294,040,651	294,040,651
Cash and cash equivalents	66,468,533	77,155,377	-	235,722	143,859,632
Total assets bearing credit risk	194,262,003	223,718,462	-	654,209,901	1,072,190,366
As at 31 December 2024					
Financial assets at fair value through profit or loss	1,144,690	44,934,228	-	202,472,262	248,551,180
Financial assets at fair value through other comprehensive income	166,291,876	53,438,520	13,560,091	3,888,168	237,178,655
Other receivables, deposits and prepayments	-	-	-	29,340,187	29,340,187
Reinsurance contract assets	-	-	-	298,490,522	298,490,522
Cash and cash equivalents	122,877,140	28,861,714	-	129,681	151,868,535
Total assets bearing credit risk	290,313,706	127,234,462	13,560,091	534,320,820	965,429,079

Amounts arising from ECL on financial assets measured at FVOCI

Movement in the loss allowance account in respect of financial investments measured at FVOCI during the year is as follows:

	2025			2024		
	12-month expected credit loss HK\$	Lifetime ECL not credit-impaired HK\$	Lifetime ECL credit-impaired HK\$	12-month expected credit loss HK\$	Lifetime ECL not credit-impaired HK\$	Lifetime ECL credit-impaired HK\$
Balance at 1 January	328,810	-	3,566,120	345,720	-	3,594,252
Transfer to lifetime ECL	-	-	-	-	-	-
New financial assets acquired	640,373	-	-	-	-	-
Financial assets derecognised	(64,029)	-	(2,501,648)	(16,910)	-	-
Net remeasurement of loss allowance	70,839	-	-	-	-	(28,132)
Balance at 31 December	975,993	-	1,064,472	328,810	-	3,566,120

4 Management of insurance and financial risk (continued)

(c) Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on general insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains balances of cash equivalents and other financial instruments which are expected to be sufficient to cover claims due for payments at any time. The Company invests surplus cash in interest bearing saving accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet liabilities. At 31 December 2025, the Company held liquid assets of HK\$143,859,632 (2024: HK\$151,868,535) that are expected to readily generate cash inflows for managing liquidity risk.

The following table details the Company's maturity analysis of its estimation of the present value of the future cash flows by estimated timing arising from insurance contract liabilities and reinsurance contract assets (the liabilities for remaining coverage for insurance contracts issued and the assets for remaining coverage for reinsurance contracts held measured under the PAA are not included in the tables).

Analysed by expected cashflow:

At 31 December 2025	Total HK\$	<1 year HK\$	1 - 2 years HK\$	2 - 3 years HK\$	3 - 4 years HK\$	4 - 5 years HK\$	Over 5 years HK\$
Insurance contract liabilities - LIC	(423,198,804)	(121,407,035)	(70,883,102)	(51,498,349)	(56,699,470)	(22,005,655)	(100,705,193)
Reinsurance contract assets - AIC	369,992,333	65,772,275	122,250,777	48,865,544	48,791,815	22,740,541	61,571,381
Total insurance contract balance	(53,206,471)	(55,634,760)	51,367,675	(2,632,805)	(7,907,655)	734,886	(39,133,812)
At 31 December 2024							
Insurance contract liabilities - LIC	(476,812,920)	(247,052,619)	(119,113,093)	(53,309,000)	(26,671,052)	(14,880,852)	(15,786,303)
Reinsurance contract assets - AIC	401,351,804	194,372,268	101,004,936	42,372,790	22,363,958	14,575,478	26,662,375
Total insurance contract balance	(75,461,116)	(52,680,351)	(18,108,157)	(10,936,210)	(4,307,094)	(305,374)	10,876,072

4 Management of insurance and financial risk (continued)

Analysed by contractual maturity date:

	Carrying amount HK\$	Total Contractual Undiscounted cash flow HK\$	No stated maturity HK\$	Repayable on demand or <1 year HK\$	2 - 5 years HK\$
At 31 December 2025					
Other payables	27,439,995	27,439,995	-	-	-
Bank loan	122,603,459	122,603,459	-	122,603,459	-
Lease liabilities	11,871,470	12,162,820	-	6,379,380	5,783,440
	<u>161,914,924</u>	<u>162,206,274</u>	<u>-</u>	<u>128,982,839</u>	<u>5,783,440</u>
At 31 December 2024					
Other payables	27,229,976	27,229,976	-	27,229,976	-
Lease liabilities	4,771,974	4,837,303	-	4,061,803	775,500
	<u>32,001,950</u>	<u>32,067,279</u>	<u>-</u>	<u>31,291,779</u>	<u>775,500</u>

(d) Fair values measurements of financial instruments

Fair value of the Company's financial assets that are measured at fair value on a recurring basis

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4 Management of insurance and financial risk (continued)

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2025				
Financial assets at fair value through profit or loss				
- Listed equities	-	-	-	-
- Equity funds	-	18,441,499	165,756,508	184,198,007
- Private equity	-	-	17,125,795	17,125,795
- Debt securities	41,411,614	-	13,701,562	55,113,176
	<u>41,411,614</u>	<u>18,441,499</u>	<u>196,583,865</u>	<u>256,436,978</u>
Financial assets at fair value through other comprehensive income				
- Debt securities	233,068,632	-	128,074,571	361,143,203
	<u>233,068,632</u>	<u>-</u>	<u>128,074,571</u>	<u>361,143,203</u>
At 31 December 2024				
Financial assets at fair value through profit or loss				
- Listed equities	1,144,690	-	-	1,144,690
- Equity funds	-	21,128,663	165,516,240	186,644,903
- Private equity	-	-	2,125,795	2,125,795
- Debt securities	44,934,229	-	13,701,562	58,635,791
	<u>46,078,919</u>	<u>21,128,663</u>	<u>181,343,597</u>	<u>248,551,179</u>
Financial assets at fair value through other comprehensive income				
- Debt securities	237,178,655	-	-	237,178,655
	<u>237,178,655</u>	<u>-</u>	<u>-</u>	<u>237,178,655</u>

4 Management of insurance and financial risk (continued)

Movement of assets measured at fair value based on Level 3

	Unlisted private equity HK\$	Unlisted debt securities HK\$	Unlisted fund investment HK\$	Total HK\$
As at 1 January 2024	2,125,795	15,701,294	158,470,567	176,297,656
Additions	-	13,701,562	-	13,701,562
Disposals	-	(15,701,294)	-	(15,701,294)
Net changes in fair value	-	-	7,045,673	7,045,673
As at 31 December 2024	2,125,795	13,701,562	165,516,240	181,343,597
As at 1 January 2025	2,125,795	13,701,562	165,516,240	181,343,597
Additions	15,000,000	128,074,571	88	143,074,659
Disposals	-	-	-	-
Net changes in fair value	-	-	240,180	240,180
As at 31 December 2025	17,125,795	141,776,133	165,756,508	324,658,436

There were no transfers between levels for both years of 2025 and 2024.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

	Fair value as at		Fair value hierarchy	Significant unobservable input(s)	Valuation technique(s) and key input(s)
	31 December 2025 HK\$	31 December 2024 HK\$			
<i>Financial assets</i>					
Unlisted private equity	17,125,795	2,125,795	Level 3	Net asset value	Market approach
Convertible bond	-	13,701,562	Level 3	Discounted cashflow	Discounted cash flow approach
Unlisted debt securities	141,776,133	-	Level 3	Discounted cashflow	Discounted cash flow approach
Unlisted equity fund investments	165,756,508	165,516,240	Level 3	Discounted cashflow/Net asset value	Discounted cash flow approach

5 Insurance revenue and insurance service result

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held for 2025 and 2024 is included in the following tables. Additional information on amounts recognised in income statement is included in the insurance contract balances reconciliations in note 14.

	2025 HK\$	2024 HK\$
Insurance revenue	<u>292,454,163</u>	<u>327,460,143</u>
Insurance service expenses		
Incurred claims and other directly attributable expenses	(195,550,836)	(255,793,053)
Changes that relate to past service - changes in the FCF relating to the LIC	21,703,923	66,563,817
Losses on onerous contracts and reversal of those losses	(1,372,499)	(1,904,590)
Amortisation of insurance acquisition cash flows	<u>(60,863,778)</u>	<u>(67,508,500)</u>
	<u>(236,083,190)</u>	<u>(258,642,326)</u>
Insurance service result before reinsurance contracts held	<u>56,370,973</u>	<u>68,817,817</u>
The amounts relating to the changes in the liability for remaining coverage	(174,911,302)	(207,930,783)
Incurred claims recovery	157,799,319	189,721,648
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(29,414,095)	(48,848,008)
Income on initial recognition and reversal of loss recovery component of onerous underlying contracts	(3,980,471)	2,794,308
Effect of changes in non-performance risk of reinsurers	<u>302,001</u>	<u>(236,517)</u>
Total net (expenses)/income from reinsurance contracts held	<u>(50,204,548)</u>	<u>(64,499,352)</u>
Total insurance service result	<u>6,166,425</u>	<u>4,318,465</u>

6 Insurance finance income or expenses

	2025 HK\$	2024 HK\$
Finance (expenses)/income from insurance contracts issued		
Interest accreted	(6,785,193)	(12,504,296)
Effect of changes in interest rates and other financial assumptions	<u>(3,337,067)</u>	<u>1,919,239</u>
Finance expenses from insurance contracts issued	<u>(10,122,260)</u>	<u>(10,585,057)</u>
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	5,099,681	10,393,371
Effect of changes in interest rates and other financial assumptions	<u>2,800,130</u>	<u>(1,627,747)</u>
Finance income from reinsurance contracts held	<u>7,899,811</u>	<u>8,765,624</u>
Net insurance finance expenses	<u>(2,222,449)</u>	<u>(1,819,433)</u>

7 Net investment income

	2025 HK\$	2024 HK\$
Interest revenue calculated using effective interest method		
Interest income from:		
- fixed income securities	21,349,419	13,341,650
- bank deposits	4,038,181	5,745,263
	<u>25,387,600</u>	<u>19,086,913</u>
Other investment income/(expense)		
Dividend income from financial assets measured at fair value through profit or loss	823,955	439,901
Net realised gains/(losses) from financial assets measured at fair value through other comprehensive income	807,771	(29,207)
Net realised gains from financial assets measured at fair value through profit or loss	1,668,216	441,133
Net unrealised gains from financial assets measured at fair value through profit or loss	6,288,329	10,349,591
Net ECL movement from financial assets measured at fair value through other comprehensive income	(647,183)	16,910
Net exchange gains/(losses)	56,350	(943,693)
	<u>8,997,438</u>	<u>10,274,635</u>

8 Other operating expenses

	2025 HK\$	2024 HK\$
Employee benefit expense:		
Salaries and other benefits	35,900,000	32,580,000
Pension costs - contributions to retirement schemes	851,968	825,232
Auditor's remuneration		
- Audit fee	840,000	592,000
- Other service	520,000	567,778
Depreciation of property and equipment (Note 11)	1,302,043	1,348,861
Amortisation of Intangible assets (Note 12)	678,283	678,283
Depreciation of right-of-use assets (Note 19)	7,123,560	7,018,285
Legal and professional fees	1,468,935	3,747,573
Travel and entertainment expenses	466,625	573,959
Others	13,559,003	10,786,985
	<u>62,710,417</u>	<u>58,718,956</u>
Represented by:		
Insurance service expenses	34,568,788	30,166,592
Other operating expenses	28,141,629	28,552,364
	<u>62,710,417</u>	<u>58,718,956</u>

9 Other finance costs

	2025 HK\$	2024 HK\$
Interest expense on lease liabilities (Note 19)	252,396	215,096
Interest expense on bank loan (Note 15(b))	3,910,052	-
	<u>4,162,448</u>	<u>215,096</u>

10 Income tax credit/(expense)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year.

10 Income tax credit/(expense) (continued)

	2025 HK\$	2024 HK\$
Deferred tax:		
Origination and reversal of temporary differences (Note 20)	<u>2,300,878</u>	<u>(275,000)</u>
Income tax (credit)/expense	<u>2,300,878</u>	<u>(275,000)</u>

The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2025 HK\$	2024 HK\$
Profit before tax	<u>6,094,903</u>	<u>3,168,345</u>
Tax charge computed at the applicable rate of 16.5%	(1,005,659)	(522,777)
Tax effects of:		
Expenses not deductible for tax	-	(618,915)
Income not subject to tax	869,118	1,019,849
Deferred tax recognised in relation to prior years	1,299,980	5,415
Temporary difference not recognised	(237,430)	174,393
Others	<u>1,374,869</u>	<u>(332,965)</u>
Income tax credit/(expense)	<u>2,300,878</u>	<u>(275,000)</u>

11 Property and equipment

	<i>Furniture and fixtures HK\$</i>	<i>Office equipment HK\$</i>	<i>Computer equipment and software HK\$</i>	<i>Leasehold improvement HK\$</i>	<i>Motor vehicle HK\$</i>	<i>Total HK\$</i>
Cost						
At 1 January 2024	1,339,022	794,813	8,899,098	1,529,858	1,837,945	14,400,736
Additions	85,510	21,505	353,119	-	-	460,134
Disposals	-	-	-	-	-	-
At 31 December 2024	<u>1,424,532</u>	<u>816,318</u>	<u>9,252,217</u>	<u>1,529,858</u>	<u>1,837,945</u>	<u>14,860,870</u>
Accumulated depreciation						
At 1 January 2024	(941,815)	(743,647)	(4,677,491)	(1,529,858)	(226,011)	(8,118,822)
Charge for the year	(163,496)	(26,520)	(791,256)	-	(367,589)	(1,348,861)
Written back on disposals	-	-	-	-	-	-
At 31 December 2024	<u>(1,105,311)</u>	<u>(770,167)</u>	<u>(5,468,747)</u>	<u>(1,529,858)</u>	<u>(593,600)</u>	<u>(9,467,683)</u>
Net book value						
At 31 December 2024	<u>319,221</u>	<u>46,151</u>	<u>3,783,470</u>	<u>-</u>	<u>1,244,345</u>	<u>5,393,187</u>
Cost						
At 1 January 2025	1,424,532	816,318	9,252,217	1,529,858	1,837,945	14,860,870
Additions	470,013	163,180	46,400	-	-	679,593
Disposals	(33,719)	(481,435)	(1,224,878)	-	-	(1,740,032)
At 31 December 2025	<u>1,860,826</u>	<u>498,063</u>	<u>8,073,739</u>	<u>1,529,858</u>	<u>1,837,945</u>	<u>13,800,431</u>
Accumulated depreciation						
At 1 January 2025	(1,105,311)	(770,167)	(5,468,747)	(1,529,858)	(593,600)	(9,467,683)
Charge for the year	(161,350)	(28,232)	(744,872)	-	(367,589)	(1,302,043)
Written back on disposals	31,567	481,435	1,224,878	-	-	1,737,800
At 31 December 2025	<u>(1,235,094)</u>	<u>(316,694)</u>	<u>(4,988,741)</u>	<u>(1,529,858)</u>	<u>(961,189)</u>	<u>(9,031,846)</u>
Net book value						
At 31 December 2025	<u>625,732</u>	<u>181,099</u>	<u>3,084,998</u>	<u>-</u>	<u>876,756</u>	<u>4,768,585</u>

12 Intangible assets

	Computer software HK\$
Cost	
At 1 January 2024	6,782,833
Additions	-
At 31 December 2024	6,782,833
Additions	-
At 31 December 2025	6,782,833
Accumulated amortisation	
At 1 January 2024	31,591
Charged for the year	678,283
At 31 December 2024	709,874
Charged for the year	678,283
At 31 December 2025	1,388,157
Net book value	
At 31 December 2024	6,072,959
At 31 December 2025	5,394,676

13 Financial investment measured at fair value

	2025 HK\$	2024 HK\$
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong	-	1,144,690
Equity funds listed in Hong Kong	18,441,499	21,128,663
Debt securities listed outside Hong Kong	41,411,614	44,934,229
Unlisted private equity	17,125,795	2,125,795
Unlisted private equity funds	165,756,508	165,516,240
Unlisted convertible bond	13,701,562	13,701,562
	<u>256,436,978</u>	<u>248,551,179</u>
Financial assets at fair value through other comprehensive income		
Debt securities listed outside Hong Kong	186,240,172	197,653,911
Debt securities listed in Hong Kong	46,828,460	39,524,744
Unlisted debt securities	128,074,571	-
	<u>361,143,203</u>	<u>237,178,655</u>
Investments in debt securities expected to be held for:		
- less than or equal to one year	60,392,466	48,554,542
- more than one year	355,863,913	247,259,904
	<u>416,256,379</u>	<u>295,814,446</u>

14 Insurance contract liabilities and reinsurance contract assets (continued)

Assumptions, methodologies and sensitivities

The extent of damage for property insurance claims can be easily established by assessing the repair and/or replacement costs of the damaged/lost insured items. For liability insurance claims, it is difficult to predict with certainty the likely outcome of each claim and the ultimate costs of each reported claim. The liability for reported claims is based on circumstances of each individual claim, investigation findings from independent adjusters, legal opinion and/or historical evidence of the size of the similar claims. Liabilities are reviewed periodically and are updated when new development comes to light. However, the ultimate liabilities may vary as a result of subsequent developments. The estimation will differ by class of business due to the differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Claims incurred but not reported liability is estimated by using historical claims development information of the Company on the assumption that the historical claims development pattern will remain consistent in the future. However, adjustment will be made after taking into account business portfolio mix, impact of large losses and change of economic, social, legal and political trends.

Claims incurred but not reported liability is initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries by taking into account details of the reinsurance programme.

15 Cash flow information

(a) *Cash and cash equivalents*

	2025 HK\$	2024 HK\$
Cash at bank and in hand	44,788,920	80,448,195
Short-term deposits with banks and other financial institutions	79,395,020	69,799,351
Cash fund with financial institutions	19,675,692	1,620,989
	<u>143,859,632</u>	<u>151,868,535</u>

15 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Bank loan HK\$	Bank loan interest payable HK\$	Lease liabilities HK\$	Total HK\$
At 1 January 2024	-	-	9,442,881	9,442,881
Changes from financing cashflow:				
Principal elements of lease payments	-	-	(7,208,701)	(7,208,701)
Interest elements of lease payments	-	-	(215,096)	(215,096)
	-	-	(7,423,797)	(7,423,797)
Other changes:				
Increase in lease liabilities from entering into new leases	-	-	2,959,504	2,959,504
Decrease in right of assets due to termination of lease	-	-	(421,710)	(421,710)
Interest expenses	-	-	215,096	215,096
	-	-	2,752,890	2,752,890
At 31 December 2024	-	-	4,771,974	4,771,974
Changes from financing cashflow:				
Proceeds from bank loan	122,603,459	-	-	122,603,459
Repayment of interest on bank loan	-	(2,341,425)	-	(2,341,425)
Principal elements of lease payments	-	-	(6,943,517)	(6,943,517)
Interest elements of lease payments	-	-	(252,396)	(252,396)
	122,603,459	(2,341,425)	(7,195,913)	113,066,121
Other changes:				
Increase in lease liabilities from entering into new leases	-	-	14,679,925	14,679,925
Decrease in right of assets due to termination of lease	-	-	(636,912)	(636,912)
Interest expenses	-	3,910,052	252,396	4,162,448
	-	3,910,052	14,295,409	18,205,461
At 31 December 2025	122,603,459	1,568,627	11,871,470	136,043,556

16 Share capital

	Number of shares HK\$	Share capital HK\$
Ordinary shares, issued and fully paid:		
At 1 January 2024, 31 December 2024 and 31 December 2025	<u>400,000,000</u>	<u>400,000,000</u>

Capital management:

The Company's objectives when managing capital are:

- to comply with the insurance capital and solvency requirements required by the Insurance Ordinance.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide return for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts with the level of risks.

The directors of the Company have closely monitored the Company's solvency in accordance with the capital and solvency requirements. The Company's overall strategy remains unchanged from prior year. During 2025 and 2024, the Company complied with the solvency requirement as required by Insurance Ordinance.

17 Contingency reserve

	2025 HK\$	2024 HK\$
At 1 January	17,468,901	15,023,309
Increase during the year	<u>2,281,293</u>	<u>2,445,592</u>
At 31 December	<u>19,750,194</u>	<u>17,468,901</u>

18 Bank Loan

In 2025, the Company has obtained an unsecured revolving loan with an outstanding balance of EUR 15,350,000 with interest payable of EUR 180,855 as at 31 December 2025. The loan will be matured on 11 February 2026 with an option to roll-over. The interest rate of the loan is reset upon each roll-over of loan base on EURIBOR + 4.5%.

19 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2025 HK\$	2024 HK\$
Right-of-use assets		
Buildings	<u>11,545,096</u>	<u>4,625,643</u>
Lease liabilities		
Current	6,173,203	4,002,181
Non-current	<u>5,698,267</u>	<u>769,793</u>
	<u>11,871,470</u>	<u>4,771,974</u>

Additions to the right-of-use assets during the year ended 31 December 2025 were HK\$14,679,925 (2024: HK\$2,959,504).

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

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

	2025 HK\$	2024 HK\$
Depreciation of right-of-use assets (Note 8)	<u>7,123,560</u>	<u>7,018,285</u>
Interest expense on lease liabilities (Note 9)	<u>252,396</u>	<u>215,096</u>

The total cash outflow for leases in 2025 was HK\$7,195,913 (2024: HK\$7,423,797).

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

The Company has leased an office space and apartments unit during the year. Rental contracts are made for a fixed periods of 2 years to 3 years.

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

20 Deferred tax assets

The analysis of deferred tax assets is as follows:

	2025 HK\$	2024 HK\$
Deferred tax assets	<u>13,531,000</u>	<u>12,739,000</u>

The gross movements on the deferred tax assets is as follows:

	2025 HK\$	2024 HK\$
At 1 January	12,739,000	15,044,000
Credited/(debited) to profit or loss (Note 10)	2,300,878	(275,000)
Debited to other comprehensive income	<u>(1,508,878)</u>	<u>(2,030,000)</u>
At 31 December	<u>13,531,000</u>	<u>12,739,000</u>

The movements in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accelerated tax depreciation HK\$	Fair value change on financial assets at fair value through other Comprehensive income HK\$	Fair value change on financial assets at fair value through profit or loss HK\$	Others HK\$	Unutilised tax losses HK\$	Total HK\$
At 1 January 2024	<u>(853,000)</u>	<u>5,066,000</u>	<u>(606,000)</u>	<u>900,000</u>	<u>10,537,000</u>	<u>15,044,000</u>
At 1 January 2024						
Charged/(credited)						
- to profit or loss	98,000	-	606,000	-	(979,000)	(275,000)
- to other comprehensive income	<u>-</u>	<u>(5,066,000)</u>	<u>-</u>	<u>-</u>	<u>3,036,000</u>	<u>(2,030,000)</u>
At 31 December 2024	<u>(755,000)</u>	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>12,594,000</u>	<u>12,739,000</u>
At 1 January 2025	<u>(755,000)</u>	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>12,594,000</u>	<u>12,739,000</u>
At 1 January 2025						
Charged/(credited)						
- to profit or loss	88,000	-	-	-	2,212,878	2,300,878
- to other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,508,878)</u>	<u>(1,508,878)</u>
At 31 December 2025	<u>(667,000)</u>	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>13,298,000</u>	<u>13,531,000</u>

21 Related party transactions

21.1 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G))

The remuneration of directors is set out below:

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company		Total	
	2025	2024	2025	2024	2025 HK\$	2024 HK\$
Fees	240,000	240,000	-	-	240,000	240,000
Other emoluments	-	-	5,106,151	4,669,423	5,106,151	4,669,423
Pension costs - contributions to retirement schemes	-	-	-	-	-	-
	<u>240,000</u>	<u>240,000</u>	<u>5,106,151</u>	<u>4,669,423</u>	<u>5,346,151</u>	<u>4,909,423</u>

The aggregate remuneration of the three highest paid directors is HK\$4,714,051 (2024: HK\$4,909,423).

Directors' material interests in transactions arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

In addition, for the year ended 31 December 2025, there had been:

- no payments made or benefit provided in respect of the termination of the service of directors, whether in the capacity of directors or in any other capacity while directors (2024: Nil);
- no consideration provided to or receivable by any third party for making available the services of a person as a director of the Company or in any other capacity while a director (2024: Nil); and
- no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (2024: Nil).

21 Related party transactions (continued)

21.2 Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 20.1, is as follows:

	2025 HK\$	2024 HK\$
Short-term employee benefits	5,346,151	4,669,423
Long-term employee benefits	-	-
	<u>5,346,151</u>	<u>4,669,423</u>

21.3 The ultimate holding company, fellow subsidiaries and other related parties

The following are the income and expenses related to the material related party transactions with the ultimate holding company and fellow subsidiaries for the year:

Income and expenses for the year

	2025 HK\$	2024 HK\$
(a) The ultimate holding company		
Premium received in respect of general insurance policies (Note (i))	4,086,269	5,780,948
Commission expenses paid to an agent (Note (ii))	468,522	626,923
Interest income from bank deposits (Note (iii))	<u>29,490</u>	<u>39,945</u>
(b) Fellow subsidiaries		
Premium received in respect of general insurance policies (Note (iv))	76,366,590	73,380,504
Commission expenses paid to an agent (Note (v))	12,958,788	13,660,358
Interest income from bank deposits (Note (vi))	<u>472,720</u>	<u>649,838</u>

21 Related party transactions (continued)

Notes

- (i) The ultimate holding company placed certain general insurance policies with the Company.
- (ii) During the year, the ultimate holding company acted as an insurance agent of the Company and received commissions at rates agreed between the two parties.
- (iii) The Company placed its deposits with ultimate holding company in the ordinary course of business.
- (iv) Fellow subsidiaries placed certain general insurance policies with the Company.
- (v) During the year, the fellow subsidiaries acted as an insurance agent of the Company and received commissions at rates agreed between the two parties.
- (vi) The Company placed its deposits with fellow subsidiaries in the ordinary course of business.

Balance at 31 December

Included below are balances with the ultimate holding company and fellow subsidiaries:

	2025 HK\$	2024 HK\$
Assets		
Balances with the ultimate holding company		
- Cash and cash equivalents	1,231,258	1,165,752
- Insurance related	620,857	1,246,762
Balances with fellow subsidiaries		
- Cash and cash equivalents	60,041,251	99,344,625
- Insurance related	2,967,574	5,943,505
	<u>64,860,940</u>	<u>107,700,644</u>
Liabilities		
Balances with the ultimate holding company		
- Insurance related	-	10,253,146
Balances with fellow subsidiaries		
- Insurance related	-	1,228,688
	<u>-</u>	<u>11,481,834</u>

The cash and cash equivalents balances are unsecured, bear interest at the prevailing market rates and have original maturity within three months. All other balances are unsecured, non-interest bearing and repayable on demand except insurance receivables and payables which are settled on credit term.

22 Pledge of assets

The Company has pledged debt securities with a net book value of approximately HK\$33,438,942 at 31 December 2025 (2024: HK\$30,367,634) to enter into a security deed with a ceding company to provide security in connection with the reinsurance arrangement.

23 Loan facilities

The Company has entered into loan facility agreement of HK\$200,000,000 (2024: HK\$nil) with banks. There is no outstanding amount held as at 31 December 2025 (2024: Nil).

24 Parent and ultimate holding companies

The immediate parent company is Bank of Communications (Nominee) Company Limited, which is incorporated in Hong Kong. At 31 December 2025, the directors consider the ultimate holding company to be Bank of Communications Co., Ltd., which is incorporated in the People's Republic of China. The financial statements of the ultimate holding company are available to the public on the website at www.bankcomm.com.

25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard and interpretations which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

*Effective for
accounting periods
beginning on or after*

Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature- dependent electricity	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027