

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

DIRECTORS' REPORT

The directors of The People's Insurance Company of China (Hong Kong), Limited (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2025.

Principal activities

The principal activities of the Group during the year are underwriting general insurance and reinsurance business, as well as the provision of insurance brokerage services. There were no significant changes in the nature of the Group's principal activities during the year.

Business review

Insurance

In 2025, the Group continued to adhere to the path of high-quality development strategy, and maintained positive progress in development of its core business. In 2025, the Group achieved insurance revenue of HK\$2,183 million, representing an increase of 27.4% as compared with 2024.

The Group actively plays the role of an important gateway for the international development of the holding company, improves the layout of overseas institutions, and enhances the ability to serve Chinese clients who implement the "going global" strategy expanding overseas. The established network for issuing policies and accessing reinsurance qualifications in overseas territories now covers nearly 90 countries/regions, effectively guaranteeing the risk management needs of key programs along the "Belt and Road".

For the year ended 31 December 2025, an overall consolidated insurance service result of HK\$2.3 million was recognised, representing a decrease of HK\$16.7 million (or 88%) from the overall consolidated underwriting profit of HK\$19.0 million in 2024. The combined ratio increased from 100.4% in 2024 to 100.56% in 2025.

Investment

In 2025, the Group recorded a net investment gain of HK\$91.4 million, representing an increase of 21% as compared with 2024. Facing the complicated and volatile capital market, the Company adhered to a long-term prudent investment philosophy at all time and insisted on focusing on fixed-income-oriented investment strategy.

Financial and operational conditions

During the year, the Group recorded a profit of HK\$98.6 million, representing an increase of HK\$5.0 million (or 5.4%) from the overall consolidated profit of HK\$93.5 million in 2024. The majority of the Group's risk indicators were at a safety region. The key financial indicators were in sound position. The assets and liabilities were relatively matched in foreign currency.

At the end of the year, the consolidated net assets were HK\$1,867.3 million. Cash and bank deposits amounting to HK\$1,106.3 million were sufficient to meet the future liquidity. The Company complied with all the regulatory capital requirements throughout 2025.

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

DIRECTORS' REPORT (CONTINUED)

Results

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 7 to 8.

Dividend

A dividend of HK\$2.4878 per share, totaling HK\$37,420,000 final dividend for the year ended 31 December 2024 was declared to the shareholders whose name appeared on the Register of Members of the Company on 31 December 2024. The dividend was paid in June 2025. There is no interim dividend for 2025. The directors recommend the payment of a final dividend of HK\$2.6214 per share, totaling HK\$39,430,000 for the year ended 31 December 2025.

Share capital

Details of the movement of the share capital for the Company during the year are set out in note 26 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 11.

Directors

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

Ding Xiangqun – Chairman (Appointed on 28 March 2025)

Chan Bernard Charnwut – *Vice Chairman*

Li Zhuyong- *Vice Chairman* (Resigned on 28 March 2025)

Executive Director

Fang Fang

Director

Wong Kok Ho

Independent non-executive directors

Lee Wai Man, Maurice

Ng Yu Lam, Kenneth

Yeung Kai Cheung, Patrick

There being no provision in the Company's articles of association for the retirement of directors by rotation, all the existing directors continue to be in office.

Controllers

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

The People's Insurance Company (Group) of China Limited

Ding Xiangqun - *Chairman*

Fang Fang - *Executive Director*

DIRECTORS' REPORT (CONTINUED)

Directors' interests in shares

At no time during the year was the Company, its holding company or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, nor were any such rights exercised by them.

Directors' interests in transactions, arrangements and contracts of significance

No transactions, arrangements and contracts of significance to which the Company, its holding company or any of its fellow subsidiaries was a party and in which a director or a connected entity of 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.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chan Bernard Charnwut
Director

31 March 2026

Independent auditor's report

To the Members of The People's Insurance Company of China (Hong Kong), Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of The People's Insurance Company of China (Hong Kong), Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 109, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, and the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group 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 also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Independent auditor's report (continued)

To the Members of The People's Insurance Company of China (Hong Kong), Limited
(incorporated in Hong Kong with limited liability)

Responsibilities of the directors and those charged with governance for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 (continued)

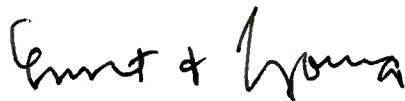
To the Members of The People's Insurance Company of China (Hong Kong), Limited
(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Wong Sui Yan (practicing certificate number: P06306).



Certified Public Accountants
Hong Kong
31 March 2026

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
		HK\$	HK\$
Insurance revenue	3	2,183,278,934	1,713,307,003
Insurance service expenses	4	(1,122,394,611)	(992,596,712)
Net expenses from reinsurance contracts held		(1,058,578,254)	(701,706,292)
Insurance service result		<u>2,306,069</u>	<u>19,003,999</u>
Interest income (from financial assets not measured at fair value through profit or loss)	5(a)	34,044,086	41,338,634
Net Investment gains	5(b)	91,369,498	75,745,274
Net credit impairment reversal /(losses)	5	252,521	(520,382)
Change in fair value of investment properties	5	(136,115)	(810,000)
Change in fair value of financial assets	5	3,434,976	6,679,491
Rental income from investment properties	5	237,265	235,348
Exchange gains/(losses)		7,950,306	(15,042,295)
Other income, gains and losses	7	(4,482,922)	2,675,949
Net investment income		<u>132,669,615</u>	<u>110,302,019</u>
Finance expenses from insurance contracts issued	6	(55,803,916)	(102,146,567)
Finance income from reinsurance contracts held	6	41,176,530	76,841,248
Net insurance finance expenses		<u>(14,627,386)</u>	<u>(25,305,319)</u>
Net insurance and investment result		<u>120,348,298</u>	<u>104,000,699</u>
Other operating and administrative expenses	8	(9,294,465)	(5,400,814)
PROFIT BEFORE INCOME TAX		<u>111,053,833</u>	<u>98,599,885</u>
Income tax expenses	10	(12,487,764)	(5,065,272)
PROFIT FOR THE YEAR		<u>98,566,069</u>	<u>93,534,613</u>

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
		HK\$	HK\$
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Finance expenses from insurance contracts issued before tax	6	(42,303,375)	(22,629,349)
Finance income from reinsurance contracts held before tax	6	26,676,144	12,481,995
Changes in the fair value of debt instruments at fair value through other comprehensive income		67,209,316	(224,266)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		(312,188)	431,374
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity instruments at fair value through other comprehensive income		2,210,964	2,585,587
Income tax relating to these items		(8,984,000)	733,000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		44,496,861	(6,621,659)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		143,062,930	86,912,954

The notes on page 14 to 109 are an integral part of the financial statements.

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	31 Dec 2025	31 Dec 2024
		HK\$	HK\$
ASSETS			
Property and equipment	19	28,824,615	30,377,778
Intangible assets	21	14,307,787	11,461,958
Investment properties	18	6,765,120	6,839,495
Right-of-use assets	20	4,899,498	7,629,065
Investment in an associate	17	3,967,100	3,217,493
Financial assets measured at fair value through other comprehensive income	13	2,244,026,604	1,940,527,777
Financial assets measured at fair value through profit or loss	13	98,733,481	69,896,128
Insurance contract assets	14	19,264,345	17,288,649
Reinsurance contract assets	14	1,317,044,655	1,610,710,113
Other assets	23	42,857,983	23,887,315
Term deposits	15	721,245,320	544,010,912
Cash and cash equivalents	12	385,046,964	514,742,763
TOTAL ASSETS		4,886,983,472	4,780,589,446
LIABILITIES			
Insurance contract liabilities	14	2,558,889,825	2,848,755,484
Reinsurance contract liabilities	14	150,826,238	1,866,403
Salary payable		48,709,262	40,065,916
Other liabilities	25	224,124,809	98,931,220
Dividend payable		-	11,000,000
Income tax payable		9,000,000	-
Deferred tax liabilities	22	23,073,887	10,602,119
Lease liabilities		5,066,780	7,718,563
TOTAL LIABILITIES		3,019,690,801	3,018,939,705

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	31 Dec 2025	31 Dec 2024
		HK\$	HK\$
EQUITY			
Issued capital		1,609,999,956	1,609,999,956
Reserves		892,280	(45,299,985)
Retained profits		256,400,435	196,949,770
TOTAL EQUITY		<u>1,867,292,671</u>	<u>1,761,649,741</u>
TOTAL EQUITY AND LIABILITIES		<u>4,886,983,472</u>	<u>4,780,589,446</u>

The consolidated financial statements on pages 7 to 109 were approved and authorised for issue by the Board of Directors on 31 March 2026 and are signed on its behalf by:


 Chan Bernard Charnwut
 Director


 Fang Fang
 Director

The notes on page 14 to 109 are an integral part of the financial statements.

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

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

	Notes	Issued capital HK\$	Fair value reserve HK\$	Insurance finance reserve HK\$	Retained profits HK\$	Total equity HK\$
At 31 December 2023 and 1 January 2024 as restated		1,609,999,956	(60,247,357)	20,320,673	115,663,515	1,685,736,787
Profit for the year as restated		-	-	-	93,534,613	93,534,613
Other comprehensive income for the year		-	1,852,695	(8,474,354)	-	(6,621,659)
Total comprehensive income for the year		-	1,852,695	(8,474,354)	93,534,613	86,912,954
Other comprehensive income transferred to retained earnings		-	1,248,358	-	(1,248,358)	-
Dividend recognised as distribution	11	-	-	-	(11,000,000)	(11,000,000)
At 31 December 2024		1,609,999,956	(57,146,304)	11,846,319	196,949,770	1,761,649,741
Profit for the year		-	-	-	98,566,069	98,566,069
Other comprehensive income for the year		-	57,546,090	(13,049,229)	-	44,496,861
Total comprehensive income for the year		-	57,546,090	(13,049,229)	98,566,069	143,062,930
Other comprehensive income transferred to retained earnings		-	1,695,404	-	(1,695,404)	-
Dividend recognised as distribution	11	-	-	-	(37,420,000)	(37,420,000)
At 31 December 2025		1,609,999,956	2,095,190	(1,202,910)	256,400,435	1,867,292,671

The notes on page 14 to 109 are an integral part of the financial statements.

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
		HK\$	HK\$
Cash flows from operating activities			
Profit before tax		111,053,833	98,599,885
Adjustments for:			
Depreciation of property and equipment	19	1,782,214	1,877,123
Amortization of intangible assets	21	1,889,355	1,534,010
Depreciation of right-of-use assets	20	3,845,455	3,665,312
Dividend income	5	(5,541,183)	(10,734,854)
Interest income	5	(110,585,393)	(97,237,010)
Interest expense on lease liabilities		386,064	286,309
Realised gains on disposal of investments assets	5	(8,049,638)	(9,112,043)
Net credit impairment (gains)/losses	5	(252,521)	520,382
Change in fair value of investment properties	5	136,115	810,000
Rental income from investment properties	18	(237,265)	(235,348)
Exchange difference		(8,256,738)	16,372,019
Change in fair value of financial assets	5	(3,434,976)	(6,679,491)
Investment income from associate		(1,459,125)	-
Operating loss before working capital changes		(18,723,803)	(333,706)
Increase in insurance contract assets	14	(44,279,071)	(29,301,353)
Decrease in reinsurance contracts assets		320,341,602	195,250,874
Increase in other assets		(20,194,111)	(19,358,266)
Increase in other creditors and accrued expenses		133,699,276	44,471,511
Increase/(decrease) in reinsurance contract liabilities		148,959,835	(3,355,521)
(Decrease)/increase in insurance contract liabilities	14	(289,865,659)	8,751,091
Net cash generated from operating activities		229,938,069	196,124,630

THE PEOPLE'S INSURANCE COMPANY OF CHINA (HONG KONG), LIMITED
中國人民保險(香港)有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
		HK\$	HK\$
Investing activities			
Rental income from investment properties	18	237,265	235,348
Purchase of items of property and equipment	19	(229,600)	(52,151)
Purchase of items of intangible assets	21	(4,735,184)	(2,584,438)
Proceeds from disposals of items of plant and equipment	19	550	1,662
Proceeds from disposal of financial investments		621,416,270	594,896,934
Dividends from Associates		(749,607)	-
Purchase of investment assets		(886,312,663)	(818,677,983)
Interest (paid)/received		125,389,950	117,119,650
Dividends received from investment assets		6,764,252	12,101,287
(Increase)/decrease in time deposits with original maturity of more than three months when acquired		(171,285,153)	215,832,246
Decrease in amount due from the ultimate holding company		137,663	-
Net cash (used in)/generated from investing activities		(309,366,257)	118,872,555
Dividend paid		(48,420,000)	-
Repayments of lease liabilities		(3,767,020)	(3,771,879)
Interest paid on lease liabilities		(386,064)	(286,309)
Early termination payment		(652)	-
Net cash used in financing activities		(52,573,736)	(4,058,188)
Net (decrease)/increase in cash and cash equivalents		(132,001,924)	310,938,997
Cash and cash equivalents at beginning of the year		514,742,763	207,541,981
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		2,306,125	(3,738,215)
Cash and cash equivalents at end of year		385,046,964	514,742,763
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand	12	133,508,397	160,371,692
Time deposits with original maturity of less than three months when acquired	12	251,210,501	351,989,927
Interest receivables		328,066	2,381,144
Cash and cash equivalents	12	385,046,964	514,742,763

The notes on page 14 to 109 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The People's Insurance Company of China (Hong Kong), Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 15th Floor, Guangdong Investment Tower, 148 Connaught Road, Central, Hong Kong.

The principal activities of the Company and its subsidiary (the "Group") are the underwriting of general insurance and reinsurance business, as well as the provision of insurance brokerage services.

In the opinion of the directors, the immediate and ultimate holding company is The People's Insurance Company (Group) of China Limited, which is incorporated in the People's Republic of China.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Group.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. They have been prepared on the historical cost basis, except for certain financial assets and investment properties, which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollars which is also the Group's functional currency and all values are rounded to the nearest dollar except when otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described 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.

2.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 21 *Lack of Exchangeability*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

Amendments to HKAS 21 Lack of Exchangeability

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in were exchangeable, the amendments did not have any impact on the Company's financial statements.

2.2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

Standard/Interpretation	Content	Applicable for financial years beginning on/after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
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Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

- Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The Group is considering the impact of the amendments and the timing of its application.
- Amendments to HKFRS 9 and HKFRS 7 Contracts Referencing Nature-dependent Electricity clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effect these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact to the Company’s financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements. HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. The application of the standard will not have any impact on the Group's consolidated financial statements.
- HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. The application of the standard will not have any impact on the Group's consolidated financial statements.
- Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. Early adoption is permitted. The application of the amendments will not have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.
- Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:
 - HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES

(1) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (i) financial assets at amortized cost; (ii) financial assets at fair value through other comprehensive income; (iii) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (which have not contained or considered any significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three categories:

Measured at amortized cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. Such financial assets mainly comprise cash and cash equivalents, financial assets measured at amortized cost, term deposits, restricted statutory deposits, and financial assets included in other assets etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES

(1) Financial Instruments (continued)

Financial assets (continued)

Classification and measurement(continued)

Debt instruments(continued)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets for both collection of the contractual cash flows and selling such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains or losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets are presented as financial assets measured at fair value through other comprehensive income.

Measured at fair value through profit or loss:

Debt instruments held by the Group that do not meet the criteria for amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce any accounting mismatch.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as net investment income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES(continued)

(1) Financial Instruments (continued)

Financial assets (continued)

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate. Among them, financial assets which are purchased or originated credit-impaired are discounted at credit-adjusted effective interest rate.

The Group assesses the expected credit losses ("ECL") for financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, etc.

Giving consideration to reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available, weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be collected. A number of significant assumptions and judgements are required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.;
- Criteria for significant increase in credit risk; and
- Forward-looking information.

At each balance sheet date, the ECL of financial instruments is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition and recognises a 12-month ECL.

For those financial instruments in Stage 1 and 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before netting off of any expected credit loss provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortized cost (net off of any expected credit loss provision).

The Group recognises or reverses the loss allowance through profit or loss. For debt instruments measured at fair value through other comprehensive income, impairment gains or losses are included in the net impairment losses on financial assets and correspondingly by reducing the accumulated changes in fair value included in the OCI reserve of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(1) Financial Instruments (continued)

Financial assets (continued)

Derecognition of financial assets

Financial assets are derecognised when:

- the contractual rights to receive the cash flows from the financial assets have expired;
- they have been transferred and the Group transfers substantially all the risks and rewards of ownership; and
- they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When an equity investment measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise securities sold under agreements to repurchase, investment contract liabilities, other payables in other liabilities and bonds payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, and the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(1) Financial Instruments (continued)

Offsetting a financial asset and a financial liability

When the Group has the legal right to offset recognised financial assets and financial liabilities, such legal right is currently enforceable, and the Group has the intention to settle on a net basis or realize the financial assets and settle the financial liabilities simultaneously, the financial assets and financial liabilities are offset in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Such techniques should be appropriate in the circumstances for which sufficient data is available, and the input value should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The unobservable inputs can be used if the relevant observable input is not accessible or the acquisition is not practical.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts

Definition and classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Reinsurance contract held refers to an insurance contract agreed by the reinsurer (the issuer of reinsurance contract) and cedant on that the reinsurer to compensate cedant for claims arising from the underlying insurance contracts.

Unless otherwise specified, the insurance contracts mentioned in the consolidated financial statements of the Group generally refer to the issued insurance contracts (including reinsurance contracts ceded in) and reinsurance contracts held.

Combination and separation of insurance contracts

If an insurance contract contains multiple components, the Group will separate the following components:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components, but investment contracts with discretionary participation features applies HKFRS 17; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Group applies HKFRS 17 to all remaining components of the contract.

Level of aggregation of insurance contracts

The Group categorizes insurance contracts with similar risks and unified management into the same portfolio. The Group further subdivides a portfolio into contract groups based on the profitability level, degree of loss, or the possibility of future losses after initial recognition.

Except for the reinsurance contracts held, the Group divides a portfolio of insurance contracts issued into a minimum of:

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

The Group does not include contracts issued or ceded out more than one year apart in the same group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Recognition

For insurance contracts issued by the Group (including the reinsurance contracts ceded in), the groups of insurance contracts are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Groups of reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - (a) the beginning of the coverage period of the group; and
 - (b) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the group of reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Measurement of insurance contracts

Insurance acquisition cash flows

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Fulfilment cash flows ("FCF") and Contract boundary

The FCF, which comprise:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Fulfilment cash flows ("FCF") and Contract boundary (continued)

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Estimates of cash flows in a scenario shall include all cash flows within the boundary of an existing contract and no other cash flows. The Group does not recognise as a liability or as an asset any amounts relating to expected premiums or expected claims outside the boundary of the insurance contract.

Contracts not measured under the PAA

Initial measurement

The Group measures the insurance contracts at group level.

On initial recognition, the Group measures a group of contracts as the total of the FCF and the contractual service margin ("CSM").

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date;
- the derecognition of insurance acquisition cash flows asset, if any; and
- the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- the liability for remaining coverage comprising:
 - (a) the FCF related to future service allocated to the group at that date;
 - (b) the CSM of the group at that date; and
- the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Subsequent measurement (continued)

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

- the effect of any new contracts added to the group during the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period;
- the changes in the FCF relating to future service as, except to the extent that:
 - (a) such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss; or
 - (b) such decreases in the FCF are allocated to the loss component of the liability for remaining coverage.
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the transfer of the insurance contract services in the period, determined by the allocation of CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period based on coverage units.

The changes in fulfillment cash flow related to current and past services are recognised in profit or loss in accordance with the following requirements:

- The Group recognises insurance revenue for the reduction in the liability for remaining coverage because of services provided in the period;
- The Group recognises insurance service expenses for the increase in the liability for incurred claims because of claims and expenses incurred in the period and any subsequent changes in FCF relating to incurred claims and incurred expense; and
- When the Group recognises insurance revenue or insurance service expenses, the investment components are excluded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Onerous contracts

(i) Onerous contracts at initial recognition

For contracts issued by the Group (including assumed reinsurance), an insurance contract is onerous at the date of initial recognition if the FCF allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group recognises a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

(ii) Profitable contract group converts to onerous contract group

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if the following amounts exceed the carrying amount of the CSM:

- unfavourable changes in the FCF allocated to the group arising from changes in estimates of future cash flows relating to future service.

(iii) Onerous contract group becomes less onerous or converts to profitable contract group

The Group reverses the loss component of the liability for remaining coverage and insurance service expenses for the decrease of the estimates in fulfilment cash flow and non-financial risk adjustments relating to future services. If the decrease of the liability for remaining coverage exceeds the loss component amount, the CSM is recognised.

(iv) Subsequent measurement of onerous contracts

When a loss component exists, the Group allocates the subsequent changes in fulfilment cash flows of the liability for remaining coverage on a systematic basis between the loss component and the remaining component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

Contracts not measured under the PAA (continued)

Onerous contracts(continued)

(iv) Subsequent measurement of onerous contracts (continued)

The subsequent changes in fulfilment cash flows of the liability for remaining coverage to be allocated are:

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

The amounts of loss component allocation in the first two items above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

PAA

The Group simplifies the measurement of a group of insurance contracts using the PAA if, and only if, at the inception of the group:

- the Group reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies for insurance contracts not measured under the PAA; and
- The coverage period of each contract in the group is one year or less.

For insurance contracts issued, the Group measures the carrying amount of the liability for remaining coverage on initial recognition as follows:

- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, if any; and
- minus or plus any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other assets or liabilities previously recognized for any cash related to the group of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of insurance contracts (continued)

PAA (continued)

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:

- (a) the liability for the remaining coverage; and
- (b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

At the end of each reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period:

- plus the premiums received in the period;
- minus insurance acquisition cash flows;
- plus any amounts relating to the amortization of insurance acquisition cash flows recognised as an expense in the reporting period;
- plus any adjustment to a financing component (if applicable);
- minus the amount recognised as insurance revenue for services provided in that period; and
- minus any investment component paid or transferred to the liability for incurred claims.

The Group adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates determined on initial recognition.

Insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated to the period. The Group allocates the expected premium receipts to each period of coverage on the basis of the passage of time.

If facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises the amount that the FCF exceeds the carrying amount of the liability for remaining coverage to the insurance service expenses and increase the liability for remaining coverage.

The liabilities for incurred claims of contracts measured under the PAA are measured similarly to their measurement for the contracts not measured under PAA. Future cash flows are adjusted for the time value of money and other financial risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held

Reinsurance contracts held not measured under the PAA

On initial recognition, the Group measures a group of reinsurance contracts held as the total of: (a) the FCF; and (b) the CSM.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future.

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

The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

On initial recognition, the Group recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a CSM measured at an amount equal to the sum of:

- the FCF;
- the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of contracts;
- any cash flows arising from the contracts in the group at that date; and
- any income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts.

However, if the net cost relates to events that occurred before the purchase of the group of reinsurance contracts held, the Group recognises such a cost immediately in profit or loss as an expense.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- the remaining coverage, comprising:
 - (a) the FCF related to future service allocated to the group at that date; and
 - (b) the CSM of the group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance contracts held not measured under the PAA (continued)

The Group adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM, whereby a loss-recovery component is established, is determined by multiplying:

- the loss recognised on the underlying insurance contracts; and
- the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

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

- the effect of any new contracts added to the group;
- the interest accreted on the carrying amount of the CSM, measured at the weighted average discount rates determined at the date of initial recognition of a group of contracts, applying to the cash flows that do not vary based on the returns on any underlying items;
- income recognised in profit or loss when the Group recognises a loss on addition of onerous underlying insurance contracts to a group of underlying insurance contracts. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognized;
- Reversals of a loss-recovery component other than changes in FCF of reinsurance contracts held;
- changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in the FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts;
- the effect of any currency exchange differences, if any; and
- the amount recognized in profit or loss for insurance contract services received during the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held based on coverage units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA

The Group applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM, and recognises the reinsurer's insurance service expense in profit or loss.

Derecognition

The Group derecognises an insurance contract when the obligation specified in the insurance contract expires or is discharged or cancelled.

Presentation

Insurance contract asset and liability

Portfolios of insurance contracts (including reinsurance contracts ceded in) and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

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 Group expects to be entitled to in exchange for those services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

Insurance revenue (continued)

For contracts not measured under the PAA, insurance revenue comprises the relevant amount arising from changes of LRC and the amortization of insurance acquisition cash flows, the details are as follows:

- Amounts relating to the changes in the liability for remaining coverage:
 - (a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - amounts allocated to the loss component;
 - repayments of investment components;
 - amounts of transaction-based taxes collected in a fiduciary capacity;
 - amortization of insurance acquisition cash flows; and
 - the amount related to the risk adjustment for non-financial risk;
 - (b) changes in the risk adjustment for non-financial risk, excluding:
 - changes of insurance finance income/(expenses);
 - changes that relate to future coverage (which adjust the CSM); and
 - amounts allocated to the loss component;
 - (c) amounts of the CSM amortized; and
 - (d) other amounts, e.g. experience adjustments – arising from premiums received in the period other than those that relate to future service.
- Amounts relating to insurance acquisition cash flows: The amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue; and
- For contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

Insurance service expenses

Insurance service expenses include the following:

- incurred claims, benefits and other incurred insurance service expenses, excluding the repayment of investment components;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- changes that relate to past service – changes in the FCF relating to the liability for incurred claims; and
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated income statement of profit or loss and other comprehensive income.

Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income/(expenses) from reinsurance contracts held, comprising the following amounts:

- reinsurance expenses;
- incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
- other incurred directly attributable expenses;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued: (i) income on initial recognition of onerous underlying contracts and on addition of onerous underlying insurance contracts to a group; (ii) reinsurance contracts held under the GMM: changes that relate to future services; and
- changes that relate to past service – changes in the FCF relating to incurred claims recovery.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

Reinsurance cash flows that are contingent on claims of the underlying contracts, for examples profit commissions, are treated as part of the claims that are expected to be reimbursed under the reinsurance contract held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(2) Insurance Contracts (continued)

Presentation (continued)

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.

The Group chooses to apply the following accounting policy at portfolio level for the changes of financial risk of insurance contracts:

For insurance contracts without direct participation features, the Group chooses to disaggregate the changes of financial risk of insurance contracts for the period to include in insurance finance profit or expense an amount determined by a systematic allocation of the expected total finance expenses from insurance contracts over the duration of the group of contracts.

(3) Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(3) Lease (continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(3) Lease (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments); and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in contractual rental rates following a rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(3) Lease (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(4) Property and equipment and depreciation

Property and equipment, including land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis so as to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5%
Computer software	10% to 20%
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, at least at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use of the asset. Any gain or loss on disposal or retirement is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

(5) Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(6) Impairment on property and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(7) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation, rather than for the use in the production or supply of goods or services or for administrative purposes; or for the sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(8) Foreign currency

These consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Foreign currency transactions recorded by the Group are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(9) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at bank and in hand and time deposits with original maturity of less than three months when acquired.

(10) Employee benefits

Short-term and long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(10) Employee benefits (continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. In accordance with the rules of the MPF Scheme, the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, if any, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully.

(11) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax base 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of the 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 rate (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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

(11) Income tax (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by the Group in its income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(12) Dividends

Dividend distribution to the Group's shareholders is recognised as liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

Interim dividends are simultaneously proposed and declared, because the Group's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The following are the significant judgements, which the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimation of fulfillment cash flows

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make reasonable estimates in payments that the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

The main assumptions made in measuring these liabilities are as follows:

Discount Rate

The Group applies a bottom up approach, which starts with risk-free yield curve and adjusts it to determine the discount rate of cash flows do not vary with the returns of underlying items.

The spot discount rates assumption for insurance contract are as follows:

	31 December 2025	31 December 2024
Discount rates in CNY	1.120%-2.662%	0.537%-2.032%
Discount rates in HKD	2.409%-3.194%	3.341%-3.628%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation of fulfillment cash flows (continued)

The main assumptions made in measuring these liabilities are as follows: (continued)

Expense

Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs.

Measurement of liability for incurred claims

The primary assumptions used by the group in calculating the liabilities for incurred claims are the expected claim payout ratios and future claims development. Expected claim payout ratios and future claims development for each measurement unit are based on the Group's historical claims experience and payout levels.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. INSURANCE REVENUE

	2025	2024
	HK\$	HK\$
Contracts measured under GMM	479,961,220	1,390,177,026
Amounts relating to changes in liabilities for remaining coverage	410,158,092	1,323,209,168
- Expected incurred claims and other insurance service expenses	321,639,508	677,374,515
- Change in risk adjustment for nonfinancial risk for risk expired	24,748,201	70,577,245
- CSM recognised for services provided	65,504,373	230,524,930
- Experience adjustments for premium receipts relate to past services	(1,733,990)	344,732,478
Recovery of insurance acquisition cash flows	69,803,128	66,967,858
Contracts measured under PAA	1,703,317,714	323,129,977
Included:		
Contracts under the modified retrospective transition approach services	55,853,835	56,480,270
Other contracts	2,127,425,099	1,656,826,733
Total of insurance revenue	2,183,278,934	1,713,307,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INSURANCE SERVICE EXPENSES

	2025		
	Contracts Under GMM HK\$	Contracts under PAA HK\$	Total HK\$
Incurred claims and other insurance service expenses	(537,082,865)	(968,274,697)	(1,505,357,562)
Amortisation of insurance acquisition cash flows	(69,803,128)	(109,110,881)	(178,914,009)
Changes that relate to future service	(1,334,872)	(36,575,677)	(37,910,549)
Changes that relate to past service	550,287,702	49,499,807	599,787,509
Total	(57,933,163)	(1,064,461,448)	(1,122,394,611)
Insurance service expenses			
Liability for remaining coverage	(59,897,583)	(145,686,558)	(205,584,141)
Liability for incurred claims	1,964,420	(918,774,890)	(916,810,470)
Total	(57,933,163)	(1,064,461,448)	(1,122,394,611)
	2024		
	Contracts Under GMM HK\$	Contracts under PAA HK\$	Total HK\$
Incurred claims and other insurance service expenses	(979,356,027)	(274,405,585)	(1,253,761,612)
Amortisation of insurance acquisition cash flows	(66,967,858)	(14,660,732)	(81,628,590)
Changes that relate to future service	(41,632,984)	(1,362,658)	(42,995,642)
Changes that relate to past service	294,086,651	91,702,481	385,789,132
Total	(793,870,218)	(198,726,494)	(992,596,712)
Insurance service expenses			
Liability for remaining coverage	(61,766,107)	(16,023,390)	(77,789,497)
Liability for incurred claims	(732,104,111)	(182,703,104)	(914,807,215)
Total	(793,870,218)	(198,726,494)	(992,596,712)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

	2025 HK\$	2024 HK\$
Interest income (from financial assets not measured at fair value through profit or loss) (a)	34,044,086	41,338,634
Net Investment gains(b)	89,910,373	75,745,274
Net credit impairment reversal /(losses)	252,521	(520,382)
Change in fair value of investment properties	(136,115)	(810,000)
Change in fair value of financial assets	3,434,976	6,679,491
Rental income from investment properties	237,265	235,348
Investment income from associate	1,459,125	-
Total	<u>129,202,231</u>	<u>122,668,365</u>

(a)	2025 HK\$	2024 HK\$
Interest income		
Current and term deposits	<u>34,044,086</u>	<u>41,338,634</u>

(b)	2025 HK\$	2024 HK\$
Realised investment gains/(losses)		
Financial assets measured at fair value through profit or loss	7,872,741	9,633,220
Financial assets measured at fair value through other comprehensive income	176,896	(521,176)
Dividend income	5,541,183	10,734,854
Interest income (from financial assets measured at fair value through other comprehensive income)	76,319,553	55,898,376
Total	<u>89,910,373</u>	<u>75,745,274</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. NET INSURANCE FINANCE RESULT

	2025	2024
	HK\$	HK\$
Insurance finance expenses from insurance contracts issued		
Interest accreted	(78,448,039)	(85,970,910)
Effect of changes in interest rates and other financial assumptions	(42,303,375)	(22,629,349)
Net foreign exchange losses	22,644,123	(16,175,657)
Total insurance finance expenses from insurance contracts issued	(98,107,291)	(124,775,916)
Represented by:		
Amounts recognised in the profit or loss	(55,803,916)	(102,146,567)
Amounts recognised in OCI	(42,303,375)	(22,629,349)
Reinsurance finance income from reinsurance contracts held		
Interest accreted	57,384,941	63,951,619
Effect of changes in interest rates and other financial assumptions	26,676,144	12,481,995
Net foreign exchange gains	(16,208,411)	12,889,629
Total reinsurance finance income from reinsurance contracts held	67,852,674	89,323,243
Represented by:		
Amounts recognised in the profit or loss	41,176,530	76,841,248
Amounts recognised in OCI	26,676,144	12,481,995

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7. OTHER INCOME, GAINS AND LOSSES

	2025 HK\$	2024 HK\$
Other income:		
Handling charges for levies	315,721	286,731
Reinsurance brokerage fee income	2,541,749	821,194
Others	651,316	1,845,403
	<u>3,508,786</u>	<u>2,953,328</u>
Other losses:		
Non-operating income and expenses	(7,991,708)	(277,379)
Total	<u>(4,482,922)</u>	<u>2,675,949</u>

8. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2025 HK\$	2024 HK\$
Staff costs (including directors' remuneration (note 9) :		
Salaries, bonuses and allowances	80,756,669	68,057,070
Provident fund contributions	2,919,327	2,533,799
Auditors' remuneration	1,548,486	1,885,191
Depreciation of property and equipment	1,782,214	1,877,123
Amortization of intangible assets	1,889,355	1,534,010
Depreciation of right-of-use assets	3,845,455	3,665,312
Interest expense on lease liabilities	386,064	286,309
Others	24,458,871	15,526,381
Less: Expenses attributed to insurance acquisition cash flows	(59,668,137)	(51,682,492)
Less: Other directly attributable expenses	(48,623,839)	(38,281,889)
	<u>9,294,465</u>	<u>5,400,814</u>

Start from 2010, the Company entered into Whole Account Quota Share Treaty ("WAQST") with its fellow subsidiary named PICC Property & Casualty Company Limited ("PICC P&C"), in which the Company shall pay certain percentage of ceded premium to PICC P&C as provisional commission, and be adjusted according to the loss ratio for all the obligatory cession business of PICC P&C as per agreed sliding scale of loss ratio and commission.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the applicable Companies Ordinance, is as follows:

	2025	2024
	HK\$	HK\$
Fees	520,000	520,000
Other emoluments:		
Salaries and bonuses	2,328,336	2,926,080
Pension scheme contributions	164,687	164,765
Others	397,420	466,647
Total	3,410,443	4,077,492

The Group has been providing accommodation, which is leased from third party, to director for use by his and his family members at no charge, as well as other employee benefits, such as dining allowances. The estimated money value of the benefits in kind is approximately HK\$467,554 (2024: HK\$466,647).

10. INCOME TAX EXPENSES

	2025	2024
	HK\$	HK\$
Hong Kong Profits Tax		
Provision for the year	9,000,000	-
Deferred tax	3,487,764	5,065,272
Total	12,487,764	5,065,272

Enacted in July 2020, the Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Ordinance 2020 reduces the profits tax rate to 8.25% for all general reinsurance business of direct insurers, selected general insurance business of direct insurers and selected insurance brokerage business. Under the tax concession regime, the qualifying Company profits will be taxed at 8.25%, and the rest will be taxed at 16.5%.

A provision for HK\$9,000,000 under Pillar Two legislation has been made. No other provision for Hong Kong profits tax has been made as the Company has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2025	2024
	HK\$	HK\$
Profit before tax	111,053,833	98,599,885
Tax at the statutory tax rate	18,323,882	16,268,981
Income not subject to tax	(6,806,387)	(8,386,184)
Expenses not deductible for tax	1,884,075	2,838,198
Investment income from associate	(240,756)	-
Income tax benefit from concessionary rate	(5,995,000)	(4,117,000)
Unrecognised deductible temporary differences and tax losses	(2,398,821)	202,971
Effects of different tax rates applied to branch	(79,192)	145,332
Pillar Two income taxes	9,000,000	-
Others	(1,200,037)	(1,887,026)
Income tax expense for the year	12,487,764	5,065,272

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong and certain other jurisdictions where a domestic minimum top-up tax has not been implemented.

The Group will account for the additional Pillar Two income taxes as current tax when incurred.

Since the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes. Potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable

11. DIVIDENDS

	2025	2024
	HK\$	HK\$
Dividends recognised as distribution during the year	37,420,000	11,000,000

A dividend of HK\$2.4878 per share, totaling HK\$37,420,000 final dividend for the year ended 31 December 2024 was declared to the shareholders whose name appeared on the Register of Members of the Company on 31 December 2024. The dividend was paid in June 2025. There is no interim dividend for 2025. The directors recommend the payment of a final dividend of HK\$2.6214 per share, totaling HK\$39,430,000 for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. CASH AND CASH EQUIVALENTS

	2025 HK\$	2024 HK\$
Cash at bank and in hand	133,508,397	160,371,692
Deposits with banks with original maturity of no more than three months	251,210,501	351,989,927
Add: Interests receivables	328,066	2,381,144
Total	385,046,964	514,742,763

The carrying amounts of cash and bank balances approximate to their fair values. Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are with original maturities within three months, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

13. FINANCIAL INSTRUMENTS

The Group's financial instruments are summarized by measurement category in the tables below:

	2025 HK\$	2024 HK\$
Financial assets measured at fair value through other comprehensive income	2,244,026,604	1,940,527,777
Financial assets measured at fair value through profit or loss	98,733,481	69,896,128
Other assets	42,857,983	1,547
Term deposits	721,245,320	544,010,912
Cash and cash equivalents	385,046,964	514,742,763
Total financial assets	3,491,910,352	3,069,179,127
Lease liabilities	5,066,780	7,718,563
Other liabilities	224,124,809	98,931,220
Total financial liabilities	229,191,589	106,649,783

The financial instruments included in each of the categories above are detailed in the tables below.

2025	At fair value through profit or loss HK\$	At fair value through other comprehensive income HK\$	Amortised cost HK\$
Debt instruments			
- Treasury bonds and government bonds	-	91,096,351	-
- Financial bonds	7,677,643	890,452,424	-
- Corporate bonds	-	1,223,827,592	-
Equity instruments	67,986,818	-	-
Managed funds	23,069,020	-	-
Other assets	-	-	3,163,012
Term deposits	-	-	721,245,320
Cash and cash equivalents	-	-	385,046,964
Total	98,733,481	2,205,376,367	1,109,455,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS (continued)

The financial instruments included in each of the categories above are detailed in the tables below.
 (continued)

2024	At fair value through profit or loss HK\$	At fair value through other comprehensive income HK\$	Amortised cost HK\$
Debt instruments			-
- Treasury bonds and government bonds	-	81,860,468	-
- Financial bonds	7,463,596	749,759,292	-
- Corporate bonds	-	924,684,742	-
Equity instruments	38,738,000	184,223,275	-
Managed funds	23,694,532	-	-
Other assets	-	-	1,547
Term deposits	-	-	544,010,912
Cash and cash equivalents	-	-	514,742,763
Total	69,896,128	1,940,527,777	1,058,755,222

As at December 31 2025, the impairment allowance of debt instruments measured at fair value through other comprehensive income was HK\$3,244,302. As at 31 December 2025, the Group does not designate any financial assets (that would otherwise have been classified and measured at amortised cost or fair value through other comprehensive income) at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

- (1) Reconciliation of the liability for remaining coverage and the liability for the incurred claims for insurance contracts measured under the PAA:

	2025		2025		Total
	liability for remaining coverage		liability for incurred claims		
	Excluding loss component	Loss component	Present value of future cashflows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	247,365,981	(8,449,236)	(601,006,094)	(35,319,909)	(397,409,258)
Insurance contract assets as at 1 January	51,557,187	(123,718)	(36,262,310)	(1,362,262)	13,808,897
Net insurance contracts liabilities/assets as at 1 January	298,923,168	(8,572,954)	(637,268,404)	(36,682,171)	(383,600,361)
Total insurance revenue	1,703,317,714	-	-	-	1,703,317,714
Incurred claims and other directly attributable expenses	-	-	(925,190,845)	(43,083,852)	(968,274,697)
Insurance acquisition cash flows amortisation	(109,110,881)	-	-	-	(109,110,881)
Losses on onerous contracts and reversals of those losses	-	(36,575,677)	-	-	(36,575,677)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	37,330,984	12,168,823	49,499,807
Insurance service expenses	(109,110,881)	(36,575,677)	(887,859,861)	(30,915,029)	(1,064,461,448)
Insurance service result	1,594,206,833	(36,575,677)	(887,859,861)	(30,915,029)	638,856,266
Insurance finance income or expenses from insurance contracts issued	19,366,836	-	(30,704,766)	(1,838,104)	(13,176,034)
Total amounts recognised in comprehensive income	1,613,573,669	(36,575,677)	(918,564,627)	(32,753,133)	625,680,232
Premiums received	(1,583,284,911)	-	-	-	(1,583,284,911)
Insurance acquisition cash flows	101,781,531	-	-	-	101,781,531
Claims and other directly attributable expenses paid	-	-	510,715,708	-	510,715,708
Total cash flows	(1,481,503,380)	-	510,715,708	-	(970,787,672)
Other movements	3,916,652	-	1,710,490	1	5,627,143
Net insurance contracts liabilities/assets as at 31 December	434,910,109	(45,148,631)	(1,043,406,833)	(69,435,303)	(723,080,658)
Insurance contract assets as at 31 December	20,069,476	(2,180)	(1,802,902)	(200,725)	18,063,669
Insurance contract liabilities as at 31 December	414,840,633	(45,146,451)	(1,041,603,931)	(69,234,578)	(741,144,327)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(1) Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts measured under the PAA: (continued)

	2024				
	liability for remaining coverage		liability for incurred claims		
	Excluding loss component	Loss component	Present value of future cashflows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	126,730,986	(7,033,535)	(517,842,288)	(35,917,549)	(434,062,386)
Insurance contract assets as at 1 January	28,843,679	(176,761)	(16,644,098)	(1,407,520)	10,615,300
Net insurance contracts liabilities/assets as at 1 January	155,574,665	(7,210,296)	(534,486,386)	(37,325,069)	(423,447,086)
Total insurance revenue	323,129,977	-	-	-	323,129,977
Incurred claims and other directly attributable expenses	-	-	(266,139,450)	(8,266,135)	(274,405,585)
Insurance acquisition cash flows amortisation	(14,660,732)	-	-	-	(14,660,732)
Losses on onerous contracts and reversals of those losses		(1,362,658)	-	-	(1,362,658)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	81,251,130	10,451,351	91,702,481
Insurance service expenses	(14,660,732)	(1,362,658)	(184,888,320)	2,185,216	(198,726,494)
Insurance service result	308,469,245	(1,362,658)	(184,888,320)	2,185,216	124,403,483
Insurance finance income or expenses from insurance contracts issued	(1,869,320)	-	(9,848,441)	(1,542,318)	(13,260,079)
Total amounts recognised in comprehensive income	306,599,925	(1,362,658)	(194,736,761)	642,898	111,143,404
Premiums received	(186,155,211)	-	-	-	(186,155,211)
Insurance acquisition cash flows	21,957,777	-	-	-	21,957,777
Claims and other directly attributable expenses paid	-	-	91,406,363	-	91,406,363
Total cash flows	(164,197,434)	-	91,406,363	-	(72,791,071)
Other movements	946,012	-	548,380	-	1,494,392
Net insurance contracts liabilities/assets as at 31 December	298,923,168	(8,572,954)	(637,268,404)	(36,682,171)	(383,600,361)
Insurance contract assets as at 31 December	51,557,187	(123,718)	(36,262,310)	(1,362,262)	13,808,897
Insurance contract liabilities as at 31 December	247,365,981	(8,449,236)	(601,006,094)	(35,319,909)	(397,409,258)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (2) Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts measured under the GMM:

	2025				Total
	liability for remaining coverage	liability for incurred claims	Present value of future cash flows	Risk adjustment of non-financial risk	
	Excluding loss component	Loss component			
Insurance contract liabilities as at 1 January	217,936,819	(11,616,928)	(2,492,748,863)	(164,917,254)	(2,451,346,226)
Insurance contract assets as at 1 January	4,466,191	(4,568)	(894,048)	(87,823)	3,479,752
Net insurance contracts liabilities/assets as at 1 January	222,403,010	(11,621,496)	(2,493,642,911)	(165,005,077)	(2,447,866,474)
Total insurance revenue	479,961,220	-	-	-	479,961,220
Incurred claims and other directly attributable expenses	-	11,240,417	(519,488,121)	(28,835,161)	(537,082,865)
Insurance acquisition cash flows amortisation	(69,803,128)	-	-	-	(69,803,128)
Losses on onerous contracts and reversals of those losses	-	(1,334,872)	-	-	(1,334,872)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	480,613,152	69,674,550	550,287,702
Insurance service expenses	(69,803,128)	9,905,545	(38,874,969)	40,839,389	(57,933,163)
Insurance service result	410,158,092	9,905,545	(38,874,969)	40,839,389	422,028,057
Insurance finance income or expenses from insurance contracts issued	14,395,369	(360,430)	(91,700,685)	(7,265,511)	(84,931,257)
Total amounts recognised in comprehensive income	424,553,461	9,545,115	(130,575,654)	33,573,878	337,096,800
Premiums received	(544,359,303)	-	-	-	(544,359,303)
Insurance acquisition cash flows	17,347,631	-	-	-	17,347,631
Claims and other directly attributable expenses paid	-	-	820,396,592	-	820,396,592
Total cash flows	(527,011,672)	-	820,396,592	-	293,384,920
Other movements	259,621	-	580,311	-	839,932
Net insurance contracts liabilities/assets as at 31 December	120,204,420	(2,076,381)	(1,803,241,662)	(131,431,199)	(1,816,544,822)
Insurance contract assets as at 31 December	2,485,454	(4,568)	(1,162,533)	(117,677)	1,200,676
Insurance contract liabilities as at 31 December	117,718,966	(2,071,813)	(1,802,079,129)	(131,313,522)	(1,817,745,498)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(2) Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts measured under the GMM: (continued)

	2024				
	liability for remaining coverage		liability for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment of future for non-financial risk	
Insurance contract liabilities as at 1 January	108,009,547	(16,375,935)	(2,339,930,931)	(157,644,688)	(2,405,942,007)
Insurance contract assets as at 1 January	1,345	-	-	-	1,345
Net insurance contracts liabilities/assets as at 1 January	108,010,892	(16,375,935)	(2,339,930,931)	(157,644,688)	(2,405,940,662)
Total insurance revenue	1,390,177,026	-	-	-	1,390,177,026
Incurred claims and other directly attributable expenses	-	46,834,735	(977,014,225)	(49,176,537)	(979,356,027)
Insurance acquisition cash flows amortisation	(66,967,858)	-	-	-	(66,967,858)
Losses on onerous contracts and reversals of those losses	-	(41,632,984)	-	-	(41,632,984)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	246,048,911	48,037,740	294,086,651
Insurance service expenses	(66,967,858)	5,201,751	(730,965,314)	(1,138,797)	(793,870,218)
Insurance service result	1,323,209,168	5,201,751	(730,965,314)	(1,138,797)	596,306,808
Insurance finance income or expenses from insurance contracts issued	(34,979,211)	(447,312)	(69,867,722)	(6,221,592)	(111,515,837)
Total amounts recognised in comprehensive income	1,288,229,957	4,754,439	(800,833,036)	(7,360,389)	484,790,971
Premiums received	(1,254,312,882)	-	-	-	(1,254,312,882)
Insurance acquisition cash flows	77,407,716	-	-	-	77,407,716
Claims and other directly attributable expenses paid	-	-	645,564,306	-	645,564,306
Total cash flows	(1,176,905,166)	-	645,564,306	-	(531,340,860)
Other movements	3,067,327	-	1,556,750	-	4,624,077
Net insurance contracts liabilities/assets as at 31 December	222,403,010	(11,621,496)	(2,493,642,911)	(165,005,077)	(2,447,866,474)
Insurance contract assets as at 31 December	4,466,191	(4,568)	(894,048)	(87,823)	3,479,752
Insurance contract liabilities as at 31 December	217,936,819	(11,616,928)	(2,492,748,863)	(164,917,254)	(2,451,346,226)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (3) Reconciliation of the asset for remaining coverage recovery and the asset for incurred claims recovery for reinsurance contracts measured under the PAA:

	2025				
	Asset for remaining covering recovery		Asset for incurred claims recovery		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	(15,647,270)	87,174	193,617,217	16,150,639	194,207,760
Reinsurance contract liabilities as at 1 January	(1,940,909)	(931)	622,201	(66,642)	(1,386,281)
Net reinsurance contract assets/ (liabilities) as at 1 January	(17,588,179)	86,243	194,239,418	16,083,997	192,821,479
Allocation of reinsurance premiums paid	(799,164,343)	-	-	-	(799,164,343)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	218,221,044	22,052,545	240,273,589
Changes in the loss recovery component	-	1,947,557	-	-	1,947,557
Changes in the FCF relating to incurred claims recovery	-	-	(50,682,901)	(7,866,541)	(58,549,442)
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	-	-	1,181,767	-	1,181,767
Other recoveries	-	-	-	-	-
Insurance service expenses recovery	-	1,947,557	168,719,910	14,186,004	184,853,471
Insurance income or expenses from reinsurance contracts held	(799,164,343)	1,947,557	168,719,910	14,186,004	(614,310,872)
Finance income or expenses from reinsurance contracts held	5,200,255	-	11,493,077	890,898	17,584,230
Other income or expenses recognised in P&L	-	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	(793,964,088)	1,947,557	180,212,987	15,076,902	(596,726,642)
Premiums ceded to reinsurers	573,924,506	-	-	-	573,924,506
Amounts received from reinsurers relating to incurred claims and other expenses (including investment components)	-	-	23,095,554	-	23,095,554
Other cash flows	-	-	-	(1)	(1)
Total cash flows	573,924,506	-	23,095,554	(1)	597,020,059
Other movements	-	-	-	-	-
Net reinsurance contract assets/ (liabilities) as at 31 December	(237,627,761)	2,033,800	397,547,959	31,160,898	193,114,896
Reinsurance contract assets as at 31 December	(63,537,061)	2,028,404	382,162,626	30,360,706	351,014,675
Reinsurance contract liabilities as at 31 December	(174,090,700)	5,396	15,385,333	800,192	(157,899,779)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(3) Reconciliation of the asset for remaining coverage recovery and the asset for incurred claims recovery for reinsurance contracts measured under the PAA: (continued)

	2024				Total
	Asset for remaining covering recovery	Asset for incurred claims recovery	Present value of future cash flows	Risk adjustment for non-financial risk	
	Excluding loss recovery component	Loss recovery component			
Reinsurance contract assets as at 1 January	(57,737,243)	335,358	294,299,082	23,191,465	260,088,662
Reinsurance contract liabilities as at 1 January	(10,064,652)	17,294	4,768,974	176,964	(5,101,420)
Net reinsurance contract assets/ (liabilities) as at 1 January	(67,801,895)	352,652	299,068,056	23,368,429	254,987,242
Allocation of reinsurance premiums paid	(74,778,314)	-	-	-	(74,778,314)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	(2,150,578)	(19,443)	(2,170,021)
Changes in the loss recovery component	-	(266,409)	-	-	(266,409)
Changes in the FCF relating to incurred claims recovery	-	-	(36,589,098)	(8,124,841)	(44,713,939)
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	-	-	(167,004)	-	(167,004)
Other recoveries	-	-	-	-	-
Insurance service expenses recovery	-	(266,409)	(38,906,680)	(8,144,284)	(47,317,373)
Insurance income or expenses from reinsurance contracts held	(74,778,314)	(266,409)	(38,906,680)	(8,144,284)	(122,095,687)
Finance income or expenses from reinsurance contracts held	4,091,311	-	8,201,844	859,852	13,153,007
Other income or expenses recognised in P&L	-	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	(70,687,003)	(266,409)	(30,704,836)	(7,284,432)	(108,942,680)
Premiums ceded to reinsurers	120,900,719	-	-	-	120,900,719
Amounts received from reinsurers relating to incurred claims and other expenses (including investment components)	-	-	(74,123,802)	-	(74,123,802)
Other cash flows	-	-	-	-	-
Total cash flows	120,900,719	-	(74,123,802)	-	46,776,917
Other movements	-	-	-	-	-
Net reinsurance contract assets/ (liabilities) as at 31 December	(17,588,179)	86,243	194,239,418	16,083,997	192,821,479
Reinsurance contract assets as at 31 December	(15,647,270)	87,174	193,617,217	16,150,639	194,207,760
Reinsurance contract liabilities as at 31 December	(1,940,909)	(931)	622,201	(66,642)	(1,386,281)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (4) Reconciliation of the asset for remaining coverage recovery and the asset for incurred claims recovery for reinsurance contracts measured under the GMM:

	2025				
	Asset for remaining coverage recovery		Asset for incurred claims recovery		Total
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	(136,414,997)	2,078,545	1,434,995,875	115,842,930	1,416,502,353
Reinsurance contract liabilities as at 1 January	(442,715)	-	(37,503)	96	(480,122)
Net reinsurance contract assets/(liabilities) as at 1 January	(136,857,712)	2,078,545	1,434,958,372	115,843,026	1,416,022,231
Allocation of reinsurance premiums paid	(190,007,768)	-	-	-	(190,007,768)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	(1,135,714)	180,624,656	17,805,229	197,294,171
Changes in the loss recovery component	-	(6,911)	-	-	(6,911)
Changes in the FCF relating to incurred claims recovery	-	-	(382,690,017)	(58,699,231)	(441,389,248)
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	288,227	-	(10,445,852)	(1)	(10,157,626)
Insurance service expenses recovery	288,227	(1,142,625)	(212,511,213)	(40,894,003)	(254,259,614)
Insurance income or expenses from reinsurance contracts held	(189,719,541)	(1,142,625)	(212,511,213)	(40,894,003)	(444,267,382)
Finance income or expenses from reinsurance contracts held	(14,475,182)	723	60,003,409	4,739,494	50,268,444
Other income or expenses recognised in P&L	-	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	(204,194,723)	(1,141,902)	(152,507,804)	(36,154,509)	(393,998,938)
Premiums ceded to reinsurers	279,724,514	-	-	-	279,724,514
Amounts received from reinsurers relating to incurred claims and other expenses	-	-	(328,644,286)	-	(328,644,286)
Other cash flows	-	-	(1)	1	-
Total cash flows	279,724,514	-	(328,644,287)	1	(48,919,772)
Other movements	-	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 31 December	(61,327,921)	936,643	953,806,281	79,688,518	973,103,521
Reinsurance contract assets as at 31 December	(63,534,149)	936,821	949,562,949	79,064,359	966,029,980
Reinsurance contract liabilities as at 31 December	2,206,228	(178)	4,243,332	624,159	7,073,541

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES
(continued)

(4) Reconciliation of the asset for remaining coverage recovery and the asset for incurred claims recovery for reinsurance contracts measured under the GMM: (continued)

	2024				
	Asset for remaining coverage recovery		Asset for incurred claims recovery		Total
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
Reinsurance contract assets as at 1 January	(72,676,787)	5,830,790	1,477,905,596	122,330,731	1,533,390,330
Reinsurance contract liabilities as at 1 January	(81,293)	-	(39,268)	57	(120,504)
Net reinsurance contract assets/(liabilities) as at 1 January	(72,758,080)	5,830,790	1,477,866,328	122,330,788	1,533,269,826
Allocation of reinsurance premiums paid	(720,037,597)	-	-	-	(720,037,597)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	16,447,247	280,358,001	28,265,703	325,070,951
Changes in the loss recovery component	-	(20,225,171)	-	-	(20,225,171)
Changes in the FCF relating to incurred claims recovery	-	-	(116,222,918)	(39,053,876)	(155,276,794)
Changes in estimates that result in losses and reversals of losses on underlying onerous contracts	166,390	-	(9,308,384)	-	(9,141,994)
Insurance service expenses recovery	166,390	(3,777,924)	154,826,699	(10,788,173)	140,426,992
Insurance income or expenses from reinsurance contracts held	(719,871,207)	(3,777,924)	154,826,699	(10,788,173)	(579,610,605)
Finance income or expenses from reinsurance contracts held	31,245,495	25,679	40,598,651	4,300,411	76,170,236
Other income or expenses recognised in P&L	-	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	(688,625,712)	(3,752,245)	195,425,350	(6,487,762)	(503,440,369)
Premiums ceded to reinsurers	624,526,080	-	-	-	624,526,080
Amounts received from reinsurers relating to incurred claims and other expenses	-	-	(238,333,306)	-	(238,333,306)
Total cash flows	624,526,080	-	(238,333,306)	-	386,192,774
Other movements	-	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 31 December	(136,857,712)	2,078,545	1,434,958,372	115,843,026	1,416,022,23
Reinsurance contract assets as at 31 December	(136,414,997)	2,078,545	1,434,995,875	115,842,930	1,416,502,35
Reinsurance contract liabilities as at 31 December	(442,715)	-	(37,503)	96	(480,122)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(5) Reconciliation of the FCF and CSM for insurance contracts measured under the GMM:

	2025			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance contract liabilities as at 1 January	(2,162,228,386)	(193,924,994)	(95,192,846)	(2,451,346,226)
Insurance contract assets as at 1 January	5,294,419	(465,954)	(1,348,713)	3,479,752
Net insurance contracts liabilities/assets as at 1 January	(2,156,933,967)	(194,390,948)	(96,541,559)	(2,447,866,474)
Allocation of the CSM	-	-	65,504,373	65,504,373
Change in the risk adjustment for non-financial risk	-	(2,809,244)	-	(2,809,244)
Experience adjustments for the period	(189,619,902)	-	-	(189,619,902)
Changes that relate to current service	(189,619,902)	(2,809,244)	65,504,373	(126,924,773)
Contracts initially recognised in the year	124,598	(22,052)	(102,555)	(9)
Changes in estimates that adjust the CSM	1,260,595	(218,632)	(1,041,962)	1
Changes in estimates that not adjust the CSM	(1,254,234)	(80,630)	-	(1,334,864)
Other changes that relate to future service	-	-	-	-
Changes that relate to future service	130,959	(321,314)	(1,144,517)	(1,334,872)
Changes in the FCF relating to the LIC	480,613,152	69,674,550	-	550,287,702
Other changes that relate to past service	-	-	-	-
Changes that relate to past service	480,613,152	69,674,550	-	550,287,702
Insurance service result	291,124,209	66,543,992	64,359,856	422,028,057
Insurance finance income or expenses from insurance contracts issued	(73,768,540)	(7,947,342)	(3,215,375)	(84,931,257)
Total amounts recognised in comprehensive income	217,355,669	58,596,650	61,144,481	337,096,800
Premiums received	(544,359,303)	-	-	(544,359,303)
Insurance acquisition cash flows	17,347,631	-	-	17,347,631
Claims and other directly attributable expenses paid	820,396,592	-	-	820,396,592
Other cash flows	-	-	-	-
Total cash flows	293,384,920	-	-	293,384,920
Other movements	839,932	-	-	839,932
Net insurance contracts liabilities/assets as at 31 December	(1,645,353,446)	(135,794,298)	(35,397,078)	(1,816,544,822)
Insurance contract assets as at 31 December	1,318,351	(117,676)	1	1,200,676
Insurance contract liabilities as at 31 December	(1,646,671,797)	(135,676,622)	(35,397,079)	(1,817,745,498)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(5) Reconciliation of the FCF and CSM for insurance contracts measured under the GMM: (continued)

	2024			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance contract liabilities as at 1 January	(2,056,558,223)	(178,494,906)	(170,888,878)	(2,405,942,007)
Insurance contract assets as at 1 January	63,415	(2,778)	(59,292)	1,345
Net insurance contracts liabilities/assets as at 1 January	(2,056,494,808)	(178,497,684)	(170,948,170)	(2,405,940,662)
Allocation of the CSM	-	-	230,524,930	230,524,930
Change in the risk adjustment for non-financial risk	-	12,297,533	-	12,297,533
Experience adjustments for the period	101,030,679	-	-	101,030,679
Changes that relate to current service	101,030,679	12,297,533	230,524,930	343,853,142
Contracts initially recognised in the year	148,320,916	(57,364,320)	(129,117,748)	(38,161,152)
Changes in estimates that adjust the CSM	21,975,166	(4,159,265)	(17,815,901)	-
Changes in estimates that not adjust the CSM	3,952,939	(7,424,772)	-	(3,471,833)
Other changes that relate to future service	-	-	-	-
Changes that relate to future service	174,249,021	(68,948,357)	(146,933,649)	(41,632,985)
Changes in the FCF relating to the LIC	246,048,911	48,037,740	-	294,086,651
Other changes that relate to past service	-	-	-	-
Changes that relate to past service	246,048,911	48,037,740	-	294,086,651
Insurance service result	521,328,611	(8,613,084)	83,591,281	596,306,808
Insurance finance income or expenses from insurance contracts issued	(95,050,987)	(7,280,180)	(9,184,670)	(111,515,837)
Total amounts recognised in comprehensive income	426,277,624	(15,893,264)	74,406,611	484,790,971
Premiums received	(1,254,312,882)	-	-	(1,254,312,882)
Insurance acquisition cash flows	77,407,716	-	-	77,407,716
Claims and other directly attributable expenses paid	645,564,306	-	-	645,564,306
Other cash flows	-	-	-	-
Total cash flows	(531,340,860)	-	-	(531,340,860)
Other movements	4,624,077	-	-	4,624,077
Net insurance contracts liabilities/assets as at 31 December	(2,156,933,967)	(194,390,948)	(96,541,559)	(2,447,866,474)
Insurance contract assets as at 31 December	5,294,419	(465,954)	(1,348,713)	3,479,752
Insurance contract liabilities as at 31 December	(2,162,228,386)	(193,924,994)	(95,192,846)	(2,451,346,226)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(6) Reconciliation of the future cash flows and the contractual service margin for reinsurance contracts under the GMM:

	2025			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contract assets as at 1 January	1,201,532,411	129,049,917	85,920,025	1,416,502,353
Reinsurance contract liabilities as at 1 January	(1,997,187)	138,094	1,378,971	(480,122)
Net reinsurance contract assets/(liabilities) as at 1 January	1,199,535,224	129,188,011	87,298,996	1,416,022,231
Allocation of the CSM	-	-	(55,012,381)	(55,012,381)
Change in the risk adjustment for non-financial risk	-	7,246,863	-	7,246,863
Experience adjustments for the period	55,051,921	-	-	55,051,921
Changes that relate to current service	55,051,921	7,246,863	(55,012,381)	7,286,403
Reinsurance contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the CSM	783,569	297,392	(1,080,961)	-
Changes in estimates that not adjust the CSM	-	-	-	-
Reversals of a loss-recovery component	-	-	(6,911)	(6,911)
Other changes that relate to future service	-	-	-	-
Changes that relate to future service	783,569	297,392	(1,087,872)	(6,911)
Changes in the FCF relating to incurred claims recovery	(382,690,017)	(58,699,232)	-	(441,389,249)
Other changes that relate to past service	-	-	-	-
Changes that relate to past service	(382,690,017)	(58,699,232)	-	(441,389,249)
Changes in the risk of reinsurers non-performance	(10,157,625)	-	-	(10,157,625)
Insurance income or expenses from reinsurance contracts held	(337,012,153)	(51,154,976)	(56,100,253)	(444,267,382)
Finance income or expenses from reinsurance contracts held	42,185,017	5,153,186	2,930,241	50,268,444
Other income or expenses recognised in P&L	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-
Total amounts recognised in comprehensive income	(294,827,136)	(46,001,790)	(53,170,012)	(393,998,938)
Premiums ceded to reinsurers	279,724,514	-	-	279,724,514
Amounts received from reinsurers relating to incurred claims and other expenses (including investment components)	(328,644,286)	-	-	(328,644,286)
Total cash flows	(48,919,772)	-	-	(48,919,772)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(6) Reconciliation of the future cash flows and the contractual service margin for reinsurance contracts under the GMM: (continued)

	2025 (continued)			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Other movements	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 31 December	855,788,316	83,186,221	34,128,984	973,103,521
Reinsurance contract assets as at 31 December	850,476,425	82,468,230	33,085,325	966,029,980
Reinsurance contract liabilities as at 31 December	5,311,891	717,991	1,043,659	7,073,541

	2024			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contract assets as at 1 January	1,245,120,885	135,373,263	152,896,182	1,533,390,330
Reinsurance contract liabilities as at 1 January	(1,893,745)	83,728	1,689,513	(120,504)
Net reinsurance contract assets/(liabilities) as at 1 January	1,243,227,140	135,456,991	154,585,695	1,533,269,826
Allocation of the CSM	-	-	(166,561,893)	(166,561,893)
Change in the risk adjustment for non-financial risk	-	(2,976,541)	-	(2,976,541)
Experience adjustments for the period	(225,428,212)	-	-	(225,428,212)
Changes that relate to current service	(225,428,212)	(2,976,541)	(166,561,893)	(394,966,646)
Reinsurance contracts initially recognised in the period	(134,943,557)	27,276,169	107,673,872	6,484
Changes in estimates that adjust the CSM	(6,496,904)	3,681,515	2,815,389	-
Changes in estimates that not adjust the CSM	-	-	-	-
Reversals of a loss-recovery component	-	-	(20,231,655)	(20,231,655)
Other changes that relate to future service	-	-	-	-
Changes that relate to future service	(141,440,461)	30,957,684	90,257,606	(20,225,171)
Changes in the FCF relating to incurred claims recovery	(116,222,919)	(39,053,875)	-	(155,276,794)
Other changes that relate to past service	-	-	-	-
Changes that relate to past service	(116,222,919)	(39,053,875)	-	(155,276,794)
Changes in the risk of reinsurers non-performance	(9,141,994)	-	-	(9,141,994)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(6) Reconciliation of the future cash flows and the contractual service margin for reinsurance contracts under the GMM: (continued)

	2024 (continued)			
	Insurance contracts measured not under the PAA			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance income or expenses from reinsurance contracts held	(492,233,586)	(11,072,732)	(76,304,287)	(579,610,605)
Finance income or expenses from reinsurance contracts held	62,348,896	4,803,752	9,017,588	76,170,236
Other income or expenses recognised in P&L	-	-	-	-
Other income or expenses recognised in OCI	-	-	-	-
Total amounts recognised in comprehensive income	(429,884,690)	(6,268,980)	(67,286,699)	(503,440,369)
Premiums ceded to reinsurers	624,526,080	-	-	624,526,080
Amounts received from reinsurers relating to incurred claims and other expenses (including investment components)	(238,333,306)	-	-	(238,333,306)
Total cash flows	386,192,774	-	-	386,192,774
Other movements	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 31 December	1,199,535,224	129,188,011	87,298,996	1,416,022,231
Reinsurance contract assets as at 31 December	1,201,532,411	129,049,917	85,920,025	1,416,502,353
Reinsurance contract liabilities as at 31 December	(1,997,187)	138,094	1,378,971	(480,122)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (7) Expected recognition of the contractual service margin for insurance contracts measured under the GMM:

Number of years until expected to be recognised	As at 31 December 2025		As at 31 December 2024	
	Total CSM of insurance contracts issued	Total CSM of reinsurance contracts held	Total CSM for Insurance contracts issued	Total CSM of reinsurance contracts held
0-5	33,899,168	(33,196,576)	94,591,765	(86,184,008)
>5	1,497,910	(932,408)	1,949,794	(1,114,988)
Total	35,397,078	(34,128,984)	96,541,559	(87,298,996)

- (8) For insurance contracts held that are measured under the PAA, an analysis of the CSM by transition method is included in the following tables:

	2025		TOTAL HK\$
	Contracts measured under the modified retrospective approach HK\$	New contracts and contracts measured under the full retrospective approach at transition HK\$	
CSM as at 1 January	(5,720,425)	(90,821,134)	(96,541,559)
Changes that relate to current service	2,948,516	62,555,857	65,504,373
Allocation of the CSM	2,948,516	62,555,857	65,504,373
- Impact of contracts recognised in the year	(6)	(102,549)	(102,555)
- Changes in estimates that adjust the CSM	(2,183,236)	1,141,274	(1,041,962)
Changes that relate to future service	(2,183,242)	1,038,725	(1,144,517)
Subtotal	765,274	63,594,582	64,359,856
Finance income or expenses	(75,024)	(3,140,351)	(3,215,375)
Total amounts recognised in comprehensive income	690,250	60,454,231	61,144,481
CSM as at 31 December	(5,030,175)	(30,366,903)	(35,397,078)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (8) For reinsurance contracts issued that are measured under the PAA, an analysis of the CSM by transition method is included in the following tables: (continued)

	2024		
	Contracts measured under the modified retrospective approach HK\$	New contracts and contracts measured under the full retrospective approach at transition HK\$	TOTAL HK\$
CSM as at 1 January	(17,474,478)	(153,473,692)	(170,948,170)
Changes that relate to current service	12,113,112	218,411,818	230,524,930
Allocation of the CSM	12,113,112	218,411,818	230,524,930
- Impact of contracts recognised in the year	(94)	(129,117,654)	(129,117,748)
- Changes in estimates that adjust the CSM	(137,407)	(17,678,494)	(17,815,901)
Changes that relate to future service	(137,501)	(146,796,148)	(146,933,649)
Subtotal	11,975,611	71,615,670	83,591,281
Finance income or expenses	(221,558)	(8,963,112)	(9,184,670)
Total amounts recognised in comprehensive income	11,754,053	62,652,558	74,406,611
CSM as at 31 December	(5,720,425)	(90,821,134)	(96,541,559)

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (8) For reinsurance contracts held that are measured under the GMM, an analysis of the CSM by transition method is included in the following tables: (continued)

	2025		
	Contracts measured under the modified retrospective approach HK\$	New contracts and contracts measured under the full retrospective approach at transition HK\$	TOTAL HK\$
CSM as at 1 January	2,321,507	84,977,489	87,298,996
Changes that relate to current service	244,217	(55,256,598)	(55,012,381)
Allocation of the CSM	244,217	(55,256,598)	(55,012,381)
- Impact of reinsurance contracts recognised in the year	-	-	-
- Changes in estimates that adjust the CSM	(1,898,197)	817,236	(1,080,961)
- Changes in the loss recovery component	(45,559)	38,648	(6,911)
Changes that relate to future service	(1,943,756)	855,884	(1,087,872)
Subtotal	(1,699,539)	(54,400,714)	(56,100,253)
Finance income or expenses from reinsurance contracts held	22,730	2,907,511	2,930,241
Total amounts recognised in comprehensive income	(1,676,809)	(51,493,203)	(53,170,012)
CSM as at 31 December	644,698	33,484,286	34,128,984

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

- (8) For reinsurance contracts held that are measured under the GMM, an analysis of the CSM by transition method is included in the following tables: (continued)

	2024		
	Contracts measured under the modified retrospective approach HK\$	New contracts and contracts measured under the full retrospective approach at transition HK\$	TOTAL HK\$
CSM as at 1 January	12,227,623	142,358,072	154,585,695
Changes that relate to current service	10,911,647	(177,473,540)	(166,561,893)
Allocation of the CSM	10,911,647	(177,473,540)	(166,561,893)
- Impact of reinsurance contracts recognised in the year	-	107,673,872	107,673,872
- Changes in estimates that adjust the CSM	(220,908)	3,036,297	2,815,389
- Changes in the loss recovery component	(20,727,098)	495,443	(20,231,655)
Changes that relate to future service	(20,948,006)	111,205,612	90,257,606
Subtotal	(10,036,359)	(66,267,928)	(76,304,287)
Finance income or expenses from reinsurance contracts held	130,243	8,887,345	9,017,588
Total amounts recognised in comprehensive income	(9,906,116)	(57,380,583)	(67,286,699)
CSM as at 31 December	2,321,507	84,977,489	87,298,996

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14. INSURANCE CONTRACT AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(9) Impact of contracts recognised in the year – insurance contracts measured under the GMM:

	31 December 2025			31 December 2024		
	Non-onerous contracts HK\$	Onerous contracts HK\$	Total HK\$	Non-onerous contracts HK\$	Onerous contracts HK\$	Total HK\$
Insurance acquisition cash flows	(81,493)	-	(81,493)	(30,687,150)	(37,538,578)	(68,225,728)
Incurred claims and other directly attributable expenses	(212,620)	-	(212,620)	(394,038,708)	(225,723,290)	(619,761,998)
Estimates of the present value of future cash outflows	(294,113)	-	(294,113)	(424,725,858)	(263,261,868)	(687,987,726)
Estimates of the present value of future cash inflows	418,720	(9)	418,711	586,987,511	249,321,130	836,308,641
Risk adjustment for non-financial risk	(22,052)	-	(22,052)	(33,143,906)	(24,220,413)	(57,364,319)
CSM	(102,555)	-	(102,555)	(129,117,747)	-	(129,117,747)
Total	-	(9)	(9)	-	(38,161,151)	(38,161,151)

(10) Impact of contracts recognised in the year – reinsurance contracts measured under the GMM:

	31 December 2025			31 December 2024		
	Contracts initially recognised excluding loss- recovery component HK\$	Contracts initially recognised including loss- recovery component HK\$	Total HK\$	Contracts initially recognised excluding loss- recovery component HK\$	Contracts initially recognised including loss- recovery component HK\$	Total HK\$
Estimates of the present value of future cash outflows	-	-	-	(408,794,591)	(576,400)	(409,370,991)
Estimates of the present value of future cash inflows	-	-	-	273,930,013	497,422	274,427,435
Risk adjustment for non-financial risk	-	-	-	27,227,744	48,425	27,276,169
CSM	-	-	-	107,636,834	37,038	107,673,872
Total	-	-	-	-	6,485	6,485

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15. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	2025 HK\$	2024 HK\$
Deposits with banks with original maturity of more than three months	709,487,760	537,061,387
Add: Interests receivables	11,757,560	6,949,525
Net carrying value	721,245,320	544,010,912

The carrying amounts of cash and bank balances approximate to their fair values. Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are with original maturities within one year and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

16. INVESTMENTS IN A SUBSIDIARY

The following is a list of the principal subsidiaries at 31 December 2025 and 2024.

Name of entity	Place of incorporation	Interest held directly		Issued share capital		Principal activity
		2025	2024	2025	2024	
PICC HK Risk Management and Insurance Consultant Company Limited ("HKRM")	Hong Kong	100%	100%	5,000,000 ordinary shares of HK\$1 each	4,291,329 ordinary shares of HK\$1 each	Provision of insurance brokerage services

17. INVESTMENTS IN AN ASSOCIATE

	2025 HK\$	2024 HK\$
Unlisted shares, at cost	3,967,100	3,217,493

At 31 December 2025, and 2024, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued share capital held by the Company	Nature of business
Bangkok Insurance (Lao) Co. Ltd	Incorporated	Lao	Lao	Ordinary	15% (Note)	Insurance

Note: The Group has appointed its representative as one out of six directors of Bangkok Insurance (Lao) Co. Ltd. In the opinion of the directors, the Group is able to exercise significant influence over its operations. Accordingly, Bangkok Insurance (Lao) Co. Ltd is accounted for as an associate.

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18. INVESTMENT PROPERTIES

	2025 HK\$	2024 HK\$
Carrying amount at 1 January	6,839,495	7,696,425
Net loss from a fair value adjustment	(136,115)	(810,000)
Net foreign exchange loss	61,740	(46,930)
	<u>6,765,120</u>	<u>6,839,495</u>
TOTAL	6,765,120	6,839,495

The investment properties were revalued on 31 December 2025 by adopting direct comparison approach and with reference to prices realised on actual sales and/or asking prices of comparable properties by Roma Appraisals Limited, an independent professionally qualified valuer, on an open market, existing use basis.

Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of the property in order to arrive at a fair comparison of market value.

The Group enters into operating leases for all of its investment properties. The rental income arising during the year amounted to HK\$237,265 (2024: HK\$235,348).

19. PROPERTY AND EQUIPMENT

	Land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Computer and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost						
At 1 January 2024	65,622,370	5,290,045	2,505,387	4,748,667	2,013,758	80,180,227
Additions	-	3,800	11,671	36,680	-	52,151
Disposal	-	(5,437)	-	(569,658)	-	(575,095)
	<u>65,622,370</u>	<u>5,288,408</u>	<u>2,517,058</u>	<u>4,215,689</u>	<u>2,013,758</u>	<u>79,657,283</u>
At 31 December 2024	65,622,370	5,288,408	2,517,058	4,215,689	2,013,758	79,657,283
Additions	-	-	-	229,600	-	229,600
Disposal	-	-	(1,634)	-	(1,350,000)	(1,351,634)
	<u>65,622,370</u>	<u>5,288,408</u>	<u>2,515,424</u>	<u>4,445,289</u>	<u>663,758</u>	<u>78,535,249</u>
At 31 December 2025	65,622,370	5,288,408	2,515,424	4,445,289	663,758	78,535,249
Depreciation						
At 1 January 2024	34,998,661	4,668,633	2,416,616	3,878,147	2,013,758	47,975,815
Provided for the year	1,312,452	275,809	31,741	257,121	-	1,877,123
Written back on disposal	-	(3,775)	-	(569,658)	-	(573,433)
	<u>36,311,113</u>	<u>4,940,667</u>	<u>2,448,357</u>	<u>3,565,610</u>	<u>2,013,758</u>	<u>49,279,505</u>
At 31 December 2024	36,311,113	4,940,667	2,448,357	3,565,610	2,013,758	49,279,505
Provided for the year	1,312,452	195,653	28,132	245,977	-	1,782,214
Written back on disposal	-	-	(1,085)	-	(1,350,000)	(1,351,085)
	<u>37,623,565</u>	<u>5,136,320</u>	<u>2,475,404</u>	<u>3,811,587</u>	<u>663,758</u>	<u>49,710,634</u>
At 31 December 2025	37,623,565	5,136,320	2,475,404	3,811,587	663,758	49,710,634
Carrying values						
At 31 December 2025	27,998,805	152,088	40,020	633,702	-	28,824,615
At 31 December 2024	29,311,257	347,741	68,701	650,079	-	30,377,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RIGHT-OF-USE ASSETS

		Leased properties HK\$
As at 31 December 2025		
Carrying amount		<u>4,899,498</u>
As at 31 December 2024		
Carrying amount		<u>7,629,065</u>
For the year ended 31 December 2025		
Depreciation charge		<u>(3,845,455)</u>
For the year ended 31 December 2024		
Depreciation charge		<u>(3,665,312)</u>
	2025 HK\$	2024 HK\$
Total cash outflow for leases	(4,153,084)	(4,058,188)
Additions to right-of-use assets	1,174,600	9,067,119
Derecognition of right-of-use assets on early termination of lease	<u>(58,712)</u>	<u>(359,030)</u>

For both years, the Group leases premise for its operations. Lease contracts are entered into for 1 to 3 years (2024: 1 to 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreements do not impose any covenants other than the security interests in the leased assets that is held by the lessor. Leased asset may not be used as security for borrowing purposes.

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21. INTANGIBLE ASSETS

	Total computer software HK\$
Cost	
At 1 January 2024	13,975,981
Additions	2,584,438
At 31 December 2024	16,560,419
Additions	4,735,184
At 31 December 2025	21,295,603
Depreciation	
At 1 January 2024	3,564,451
Provided for the year	1,534,010
At 31 December 2024	5,098,461
Provided for the year	1,889,355
At 31 December 2025	6,987,816
Carrying values	
At 31 December 2025	14,307,787
At 31 December 2024	11,461,958

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22. DEFERRED TAX

	Depreciation allowance in excess of related depreciation and tax effect of tax losses recognised HK\$	Fair value adjustments arising from financial investments HK\$	Tax effect of tax loss recognised HK\$	Others HK\$	Insurance Contracts HK\$	Total HK\$
At January 1, 2024	(6,803,602)	14,592,000	14,977,755	-	(29,036,000)	(6,269,847)
Charge to profit and loss	100,000	(1,178,000)	(7,585,272)	71,000	3,527,000	(5,065,272)
Charge to other comprehensive income	-	(871,000)	-	(71,000)	1,675,000	733,000
At December 31, 2024	(6,703,602)	12,543,000	7,392,483	-	(23,834,000)	(10,602,119)
Charge to profit and loss	(233,000)	176,000	(6,540,764)	(50,000)	3,160,000	(3,487,764)
Charge to other comprehensive income	-	(11,612,000)	-	50,000	2,578,000	(8,984,000)
At December 31, 2025	(6,936,602)	1,107,000	851,719	-	(18,096,000)	(23,073,883)

At the end of the reporting period, the Group has estimated unutilised tax losses arising in Hong Kong of HK\$91,426,892(2024: HK\$173,031,362) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated unutilised tax losses arising in Macau of HK\$7,088,225 (2024: HK\$8,848,039) that will expire in one to three years for offsetting against future taxable profits.

23. OTHER ASSETS

	2025 HK\$	2024 HK\$
Prepaid reinsurance accounts	3,163,012	1,547
Prepayment and other receivables	39,694,971	23,885,768
TOTAL	42,857,983	23,887,315

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24. LEASE LIABILITIES

	2025 HK\$	2024 HK\$
Lease liabilities payable:		
Within one year	305,950	3,536,326
Within a period of more than one year but not more than two years	4,760,830	2,859,931
Within a period of more than two years but not more than five years	-	1,322,306
Total	<u>5,066,780</u>	<u>7,718,563</u>

The weighted average incremental borrowing rates applied to lease liabilities is 6% (2024: 6%).

25. OTHER LIABILITIES

	2025 HK\$	2024 HK\$
Rental deposits	43,351	42,734
Premiums received in advance	184,952,098	75,227,765
Accruals	34,029,523	18,690,431
Others payables	5,099,837	4,970,290
TOTAL	<u>224,124,809</u>	<u>98,931,220</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. SHARE CAPITAL

	Number of shares	Issued Capital HK\$
Ordinary shares issued and fully paid:		
At 1 January 2024	15,041,425	1,609,999,956
Issue of ordinary shares	-	-
	<u>15,041,425</u>	<u>1,609,999,956</u>
At 31 December 2024 and 31 December 2025	<u>15,041,425</u>	<u>1,609,999,956</u>

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to fully comply with the insurance capital requirements required by the Insurance Authority (the "IA");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts which are commensurate with the level of risk.

Before 1 July 2024, in Hong Kong, the local insurance regulator specifies the minimum amount that must be held by the Group in addition to its insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in Hong Kong in which it issues insurance contracts, and where it has complied with all the local solvency regulations throughout the year.

The IA has developed amendments to the Hong Kong Insurance Ordinance for the implementation of Hong Kong Risk-based Capital regime ("RBC Regime") with an effective date of 1 July 2024. Under the RBC regime, in accordance with the Insurance Ordinance (Cap.41) and the Valuation and Capital Rules, the capital requirement of insurers is determined based on the level of risk identified. The Group ensures at all times that its capital base is not less than each of 1) the prescribed capital amount; 2) the minimum capital amount; and 3) HK\$20,000,000. The minimum capital amount is determined as 50% of the prescribed capital amount ("PCA").

PCA is determined by aggregating the risk capital amounts for each risk module and sub-risk module with respect to market risk, general insurance risk, counterparty default and other risk, and operational risk, taking account of diversification benefits.

The required margin of solvency is determined by the Group's appointed actuary who leads the actuarial function. The actuarial function plays a key role in capital management in addition to its ordinary function of actuarial valuations, pricing and asset & liability management.

The Group complied with all the regulatory capital requirements throughout both years 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk. This section summarises these risks.

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from that expected.

Severity risk - the possibility that the costs of the events will differ from those expected.

Development risk - the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters, they may result in earlier or more claims than expected.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

(2) Insurance risk concentration

The Group's concentration of non-life insurance risk is managed by products and geographical locations.

An analysis of insurance contract assets and liabilities, reinsurance contract assets and liabilities and insurance risk exposure per class of business is provided in the following tables:

	Insurance contract assets HK\$	Insurance contract liabilities HK\$	Reinsurance contract assets HK\$	Reinsurance contract liabilities HK\$
31 December 2025				
General insurance	19,264,345	2,558,889,825	1,317,044,655	150,826,238

	Insurance contract assets HK\$	Insurance contract liabilities HK\$	Reinsurance contract assets HK\$	Reinsurance contract liabilities HK\$
31 December 2024				
General insurance	17,288,649	2,848,755,484	1,610,710,113	1,866,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

(3) Reinsurance

The Group limits its exposure to losses within non-life insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders.

The claim reserves were projected with the loss triangle data on gross and net of the reinsurance basis and actuarial valuation methodologies. The reinsurances' share of claim reserves equal to gross minus net claim reserves, which is the amount expected to be reimbursed from reinsurers.

(4) Key assumptions and sensitivity analysis

Sensitivity analysis

The relevant assumptions refer to Note 3.

The estimates of outstanding claims will bring changes on LIC. When the other assumptions remain unchanged, if the future average cost per claim increase/(decrease) by 5%, the LIC of the Group will increase/(decrease) as follows:

The following tables present information on how reasonably possible changes in assumptions impact insurance contract liabilities:

Assumptions	Change in	Impact on profit before tax		Impact on equity		Impact on profit before tax		Impact on equity	
		2025		31 December 2025		2024		31 December 2024	
		Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Liability for incurred	+10%	(287,807,546)	(156,995.30)	(240,319,301)	(131,090,989)	(283,985,520)	(129,989,685)	(237,127,909)	(108,541,387)
Liability for incurred	-10%	287,807,546	156,995.30	240,319,301	131,090,989	283,985,520	129,989,685	237,127,909	108,541,387

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28. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts

Key assumptions

The claims settlement of the subsidiary companies of the Group, typically occurs within 12 months, thus their claims progress information is not disclosed on an annual basis.

The following analysis shows the development of claims over a period of time on a gross basis:

	Accident year - gross					
	Year ended 31 December					
	2021	2022	2023	2024	2025	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimated cumulative claims:						
At the end of current year	956,346	990,139	1,134,314	993,048	1,042,908	
One year later	1,224,374	1,277,947	1,184,326	1,143,116	-	
Two years later	1,326,657	1,151,432	1,114,615	-	-	
Three years later	1,308,955	1,040,884	-	-	-	
Four years later	1,227,606	-	-	-	-	
Estimated cumulative claims	1,227,606	1,040,884	1,114,615	1,143,116	1,042,908	5,569,129
Cumulative claims paid	(1,097,994)	(669,243)	(672,198)	(521,600)	(94,768)	(3,055,803)
Subtotal as at 31 December 2025	129,612	371,641	442,417	621,516	948,140	2,513,326
Liability in respect of prior years						152,425
Unallocated loss adjustment expenses, discount and risk margin						212,324
Total of LIC, gross						2,878,075

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28. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts (continued)

Key assumptions (continued)

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year - net					
	Year ended 31 December					
	2021	2022	2023	2024	2025	Total
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Estimated cumulative claims:						
At the end of current year	439,722	377,045	444,960	557,184	581,871	
One year later	584,178	488,864	630,940	896,550	-	
Two years later	666,572	448,797	692,915	-	-	
Three years later	697,102	436,123	-	-	-	
Four years later	693,810	-	-	-	-	
Estimated cumulative claims	693,810	436,123	692,915	896,550	581,871	3,301,269
Cumulative claims paid	(640,894)	(357,334)	(483,596)	(439,062)	(81,461)	(2,002,347)
Subtotal as at 31 December 2025	52,916	78,789	209,319	457,488	500,410	1,298,922
Liability in respect of prior years						80,835
Unallocated loss adjustment expenses, discount and risk margin						190,196
Total of LIC, net						1,569,953

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

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28. RISK MANAGEMENT (continued)

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its cash and cash equivalents, financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, insurance contract assets, reinsurance contract assets, term deposits, financial assets measured at fair value through profit or loss, prepayment and other assets, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored closely on an ongoing basis to ensure that the Group's exposure to bad debts is properly managed. The Group is also subject to credit risk on debt investments such as corporate bonds. The Group diligently manages credit risk by investing mainly in bonds issued by creditworthy third parties. Other than concentration of credit risk on liquid funds which are deposited with eight (2023: eight) banks with high credit ratings.

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

Except for domestic reinsurance company, the Group's credit risk associated with insurance mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above. The Group's management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

As to debt investment, the Group rates these investments by internal credit rating policies, selects counterparties with high credit quality and sets strict entry criteria.

The Group's debt investment mainly includes domestic government bonds, financial institution bonds, corporate bonds guaranteed by state-owned commercial banks and large enterprise groups, deposits in state-owned or national commercial banks, trust schemes, debt investment plans and asset backed plans, etc. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Guarantees and other credit enhancement arrangements

The group holds securities purchased under resale agreements where debt-type investments held by counterparties are used as collateral. In the event of a default by the counterparties, the group has the right to obtain the collateral. Pursuant to the terms and conditions of the policy loan contracts and policy contracts entered into by the group with the policyholders, the policy loan contracts are secured by the cash value of the respective policies.

Credit quality

The majority of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks. Most of the reinsurance contracts are entered into with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have a high credit quality. The trustees of the Group's trust plans, creditors' investments plans and asset support plans are mostly large domestic trust companies and asset management companies.

Expected credit loss

The Group formulates the credit losses of debt instruments carried at FVOCI using ECL models according to HKFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below;

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

- (1) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- (2) Probability of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- (3) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and availability of collateral or other credit support.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Judgement of significant increase in credit risk ("SICR")

The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The judgement criteria mainly includes the significant fluctuations in evaluation of bonds, significant changes in the financial business performance of the issuers, obvious changes in the issuers' ability and willingness of the solvency, incidents that affect the security of the bonds and other indicators of SICR, etc.

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- Default (considered to be default if it is 90 days past due);
- The debtor violates the contract, such as paying interest or principal in default or overdue;
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor is likely to go bankrupt or other financial restructuring; and
- The active market for financial assets disappears
- Purchase or generate a financial asset at a significant discount that reflects the fact of credit loss.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include Gross Domestic Product (GDP), Customer Price Index (CPI), term deposit rate and other macroeconomic variables. Through regression analysis, the relationship for ECL is established, and the ECL is then determined through forecasting economic indicator.

During the reporting period, the Group adjusted the predicted values of forward-looking economic indicators by statistical analysis and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic scenarios and weights for measuring the relevant expected credit loss.

Specific input values for the main macroeconomic assumptions used in assessing expected credit losses as of December 31, 2025, under the base scenario are as follows:

Gross Domestic Product (GDP) year-on-year percentage change: 4.09% to 5.88%.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

Sensitivity analysis

The Group has the highest weight of the base scenario, and the weight of the base scenario is higher than the sum of the weight of other base scenarios. If the weight of the optimistic scenario increased by 10% while the weight of the base scenario decreased by 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit exposure

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

	31 December 2025			31 December 2024	
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Maximum credit risk exposure HK\$	Maximum credit risk exposure HK\$
Cash and cash equivalents	385,046,964	-	-	385,046,964	514,742,763
Insurance contract assets	19,264,345	-	-	19,264,345	17,288,649
Reinsurance contract assets	1,317,044,655	-	-	1,317,044,655	1,610,710,113
Financial investments:					
Financial assets measured at fair value through other comprehensive income-					
Debt instruments	2,205,376,367	-	-	2,205,376,367	1,756,304,502
Term deposits	721,245,320	-	-	721,245,320	544,010,912
Other assets	42,857,983	-	-	42,857,983	23,887,315
TOTAL	4,690,835,634	-	-	4,690,835,634	4,466,944,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit exposure (continued)

The following tables explain the changes in the gross carrying amount and impairment provision of the main financial assets between the beginning and the end of the annual period due to these factors:

	Stage 1		Stage 2		Stage 3		Total
	12-month ECL		Lifetime ECL		Lifetime ECL		
Financial assets measured at fair value through other comprehensive income - Debt instruments	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	ECL
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
1 January 2025	1,756,304,502	(3,556,489)	-	-	-	-	(3,556,489)
Additions	702,859,503	-	-	-	-	-	-
Decrease	(253,787,638)	-	-	-	-	-	-
ECL Movement	-	252,521	-	-	-	-	252,521
Other	-	59,666	-	-	-	-	59,666
TOTAL	2,205,376,367	(3,244,302)	-	-	-	-	(3,244,302)

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28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(1) Credit risk (continued)

Credit exposure (continued)

The following table contains an analysis of the credit risk grading of loans and advances to customers and financial assets at amortized cost. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Credit rating for financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt investments measured at fair value through other comprehensive income	31 December 2025 HK\$
Credit rating	
AAA	-
AA+	160,843,551
AA	19,640,406
AA-	415,963,589
A+	230,954,678
A	452,863,342
A-	581,517,678
BBB+	174,173,261
BBB	131,554,772
BBB-	23,396,894
TOTAL	<u>2,190,908,171</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 7.88% of total assets as at 31 December 2025 (31 December 2024: 10.77%).

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual or expected collection or repayment dates. The maturity date is determined based on the remaining contractual term, liabilities payable upon notification are classified as demand liabilities.

31 December 2025						
	Non-dated/ on demand HK\$	Within 1 year HK\$	1-5 years HK\$	More than 5 years HK\$	No Maturity date HK\$	Total HK\$
Financial assets						
Cash and cash equivalents	133,508,397	251,538,567	-	-	-	384,718,898
Financial investments:						
Financial assets measured at fair value through other comprehensive income						
-Debt instruments	-	248,380,239	1,168,856,400	833,063,100	-	2,229,153,900
-Equity instruments	106,637,055	-	-	-	-	106,637,055
Financial assets measured at fair value through profit or loss	23,069,020	-	-	-	-	69,896,128
Term deposits	-	721,245,320	-	-	-	709,487,760
Other assets	39,694,971	-	-	-	-	39,694,971
TOTAL	302,909,443	1,221,164,126	1,168,856,400	833,063,100	7,463,596	3,525,993,069

31 December 2025						
	Repayable on demand HK\$	Within 1 year HK\$	1-5 years HK\$	More than 5 years HK\$	No Maturity date HK\$	Total HK\$
Financial liabilities						
Insurance contract liabilities	291,662,368	1,730,708,538	910,833,997	-	-	2,933,204,903
Less: Reinsurance contract assets	(365,958,271)	(1,117,921,202)	78,471,559	-	-	(1,405,407,914)
Lease liabilities	-	3,623,184	1,678,542	-	-	5,301,726
Other liabilities	39,129,360	-	-	-	-	39,129,360
TOTAL	(35,166,543)	616,410,520	990,984,098	-	-	1,572,228,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities (continued)

	31 December 2024					Total HK\$
	Non-dated/ on demand HK\$	Within 1 year HK\$	1-5 years HK\$	More than 5 years HK\$	No Maturity date HK\$	
Financial assets						
Cash and cash equivalents	160,371,692	354,371,071	-	-	-	514,742,763
Financial investments:						
Financial assets measured at fair value through other comprehensive income						
-Debt instruments	-	215,495,416	722,419,741	818,389,345	-	1,756,304,502
-Equity instruments	184,223,275	-	-	-	-	184,223,275
Financial assets measured at fair value through profit or loss	62,432,532	-	-	-	7,463,596	69,896,128
Term deposits	-	544,010,912	-	-	-	544,010,912
Other assets	23,885,768	-	-	-	-	23,885,768
TOTAL	430,913,267	1,113,877,399	722,419,741	818,389,345	7,463,596	3,093,063,348

	31 December 2024					Total HK\$
	Repayable on demand HK\$	Within 1 year HK\$	1-5 years HK\$	More than 5 years HK\$	No Maturity date HK\$	
Financial liabilities						
Insurance contract liabilities	-	2,729,490,375	424,934,828	-	-	3,154,425,203
Less: Reinsurance contract assets	-	(1,588,854,424)	(52,169,496)	-	-	(1,641,023,920)
Lease liabilities	-	3,898,384	4,372,551	-	-	8,270,935
Other liabilities	23,660,717	-	-	-	-	23,660,717
TOTAL	23,660,717	1,144,534,335	377,137,883	-	-	1,545,332,935

The Group has no significant concentration of liquidity or funding risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility. In the opinion of the directors, the Group is able to generate adequate funds to finance its operations and to cover the claims at unexpected levels of demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(3) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether any such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from assets denominated in currencies (primarily USD and RMB) other than the Group's functional currency.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in USD and RMB at the end of the reporting period are as follows:

	USD		RMB	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Assets	4,313,749	2,394,720	(104,982)	(3,139)
Liabilities	(2,908,304)	(355,091)	75,430	129,950

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities.

	Impact of USD		Impact of RMB	
	2025 HK\$	2024 HK\$	2025 HK\$	2024 HK\$
Sensitivity rate	1%	1%	5%	5%
Profit	14,049,450	20,396,294	9,020,566	6,340,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(3) Market risk (continued)

The method used for deriving sensitivity information and significant variables has not changed from the previous year.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, while fix rate instruments expose the Group to fair value interest rate risk.

The Group's fair value interest rate risk relates principally to lease liabilities, fixed-rate bank deposits, and fixed-rate debt securities whose fair value will be affected by fluctuation of prevailing market interest rates. The Group manages exposure to risks associated with interest rate fluctuations through active review of the investment portfolio. The Group's cash flow interest rate risk relates primarily to bank saving deposits which carry variable interest.

Given the prevailing low interest environment and the lease liabilities and fixed-rate bank deposits are carried at amortised cost, the directors consider that the fair value interest rate risk from lease liabilities and fixed-rate bank deposits, and cash flow interest rate risk from bank saving deposits are not material. Accordingly no sensitivity analysis is presented for cash flow and fair value interest rate risk arising from lease liabilities, bank saving or fixed-rate deposits.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

Sensitivity analysis

As at the reporting date, average effective interest rate of the Group's debt securities was 4.1% (2024: 5.0%). If interest rates had been 100 basis points (2024: 100 basis points) higher/lower and all other variables were held constant, the Group's other comprehensive income after tax for the year ended 31 December 2025 would decrease/increase by HK\$69,763,347 (2024: decrease/increase by HK\$53,903,468) mainly as a result of the changes in the fair value of FVOCI fixed-rate instruments.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

If the prices of the investment funds and equity securities had been 10% higher/lower, with all other variables held constant, the Group's investments revaluation reserve, net of tax, would have increased/decreased by approximately HK\$3,227,000 at 31 December 2025 (2024: HK\$15,383,000) as a result of the changes in the fair value of FVOCI investments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RISK MANAGEMENT (continued)

(b) Financial risks (continued)

(3) Market risk (continued)

Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and investment schemes, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	31 December 2025		31 December 2024	
	Carrying amount HK\$	Fair value HK\$	Carrying amount HK\$	Fair value HK\$
Financial Assets				
Cash and cash equivalents	385,046,964	385,046,964	514,742,763	514,742,763
Financial assets measured at fair value through other comprehensive income	2,244,026,604	2,244,026,604	1,940,527,777	1,940,527,777
Financial assets measured at fair value through profit or loss				
- Equity securities, mutual funds and investment schemes	91,055,838	91,055,838	62,432,532	62,432,532
- Debt securities	7,677,643	7,677,643	7,463,596	7,463,596
Term Deposits	721,245,320	721,245,320	544,010,912	544,010,912
Other Assets	42,857,983	42,857,983	23,887,315	23,887,315
Total financial assets	3,491,910,352	3,491,910,352	3,093,064,895	3,093,064,895
Financial Liabilities				
Other liabilities	224,124,809	224,124,809	23,660,721	23,660,721
Total financial liabilities	224,124,809	224,124,809	23,660,721	23,660,721

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 18 to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

- (a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Items	Fair value as at 31 December 2025	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets measured at fair value through other comprehensive income	2,244,026,604	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through profit or loss	75,664,461	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through profit or loss	23,069,020	Level 2	Broker's quotations
Investment properties	6,765,120	Level 3	Latest trade and/or bid prices of comparable properties
Items	Fair value as at 31 December 2024	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets measured at fair value through other comprehensive income	1,940,527,777	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through profit or loss	46,201,596	Level 1	Quoted bid prices in an active market.
Financial assets measured at fair value through profit or loss	23,694,532	Level 2	Broker's quotations
Investment properties	6,839,495	Level 3	Latest trade and/or bid prices of comparable properties

There were no transfers between Level 1, Level 2 and Level 3 during the years ended 31 December 2025 and 2024.

An analysis of financial instruments recorded at fair value is set out in note 13 to the consolidated financial statements. Valuation technique used for investment properties is disclosed in detail in note 18 to the consolidated financial statements.

The Group did not have any financial liabilities measured at fair value as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES

In addition to the transactions or balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions or balances with related parties during the year:

	Notes	2025 HK\$	2024 HK\$
(a) Gross premium income received from/ (ceded to) fellow subsidiaries			
- reinsurance ceded	(i)	(858,202,810)	(221,963,388)
- reinsurance accepted	(ii)	1,200,369,799	1,230,474,401
		<u> </u>	<u> </u>
(b) Commission income received from/ (commission expense paid to) fellow subsidiaries			
- reinsurance ceded	(i)	197,485,052	44,119,649
- reinsurance accepted	(ii)	(405,529,733)	(462,036,469)
		<u> </u>	<u> </u>
(c) Gross premium income received from/ (ceded to) associates			
- reinsurance ceded	(i)	906	(5,013)
- reinsurance accepted	(ii)	43,735,763	(167,827)
		<u> </u>	<u> </u>
(d) Commission income from (commission expense paid to) associates			
- reinsurance ceded	(i)	(33,163)	(7,780)
- reinsurance accepted	(ii)	(7,483,679)	48,670
		<u> </u>	<u> </u>
(e) Gross premium income received from/ (ceded to) a company controlled by a shareholder			
- reinsurance ceded	(i)	(1,076,319)	(901,096)
- reinsurance accepted	(ii)	3,184,907	2,228,453
		<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (Continued)

	Notes	2025 HK\$	2024 HK\$
(f) Commission income received from (commission expense paid to) a company controlled by a shareholder			
- reinsurance ceded	(i)	112,137	91,852
- reinsurance accepted	(ii)	(866,798)	(703,734)

Notes:

- (i) Reinsurance ceded represented treaty arrangements entered into by the Company for reinsurance outward to reinsurers. Premium and commission rates were mutually agreed by reference to third party rates.
- (ii) Reinsurance accepted from treaty and facultative reinsurance arrangements represented inward reinsurance assumed by the Company for inward reinsurance. Premium and commission rates were mutually agreed by reference to third party rates, except for an inward proportional treaty with gross premiums of HK\$518,795,622 (2024: HK\$518,795,622) under Whole Account Quota Share Treaty. The profit margin of this treaty reinsurance is set to be 2.26% (2024: 1.89% %) of net earned premiums for a range of ultimate loss ratios. Commission rates will increase when loss ratio decrease under this treaty, and vice versa.
- (g) Outstanding balance with a fellow subsidiary at the reporting date:

	2025 HK\$	2024 HK\$
Other receivables	2,596,997	3,188,496
Uncleared premium cash receipts	4,237,381	1,756,117
	<u>6,834,378</u>	<u>4,944,613</u>
Other payables	<u>(1,827,026)</u>	<u>(1,827,026)</u>

Balances with fellow subsidiary is unsecured, interest-free and should be settled within three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (Continued)

(h) Outstanding balance with ultimate holding company at the reporting date:

	2025 HK\$	2024 HK\$
Other receivables	886,200	886,200
Other payables	(2,647,776)	(2,510,113)
	<u>(1,761,576)</u>	<u>(1,623,913)</u>

Balances with ultimate holding company are unsecured, interest-free and should be settled within three months.

(i) Outstanding balances with fellow subsidiaries related to reinsurance business at the reporting date:

	2025 HK\$	2024 HK\$
Reinsurance claims payable	(50,625,984)	(283,784,978)
Reinsurance claims recoverable	18,833,419	46,884,754
Reinsurance premium receivable	534,044,539	810,135,345
Reinsurance premium payable	(626,010,669)	(162,163,211)
Commission payable	(199,698,884)	(293,656,249)
Commission receivable	150,616,584	40,479,763
	<u>150,616,584</u>	<u>40,479,763</u>

Balances with fellow subsidiaries are unsecured, interest-free and should be settled within one year.

(j) Outstanding balance with a company controlled by a shareholder at the reporting date:

	2025 HK\$	2024 HK\$
Reinsurance premium receivable	1,317,986	3,093,280
Reinsurance premium payable	(751,382)	(1,956,655)
Claims payable	(420,283)	(651,972)
Commission payable	(305,516)	(913,218)
Reinsurance claims recoverable	54,265	374,247
Commission receivable	114,161	289,736
	<u>114,161</u>	<u>289,736</u>

Balances with the company controlled by a shareholder are unsecured, interest-free and should be settled within three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RELATED PARTY DISCLOSURES (Continued)

(k) Outstanding balances with associate related to reinsurance business at the reporting date:

	2025 HK\$	2024 HK\$
Reinsurance premium receivable	40,079,971	-
Reinsurance premium payable	1,029	1,343
Commission payable	(6,822,564)	-
Reinsurance claims recoverable	55,361	178,378
Claims payables	(4,962,412)	(357,059)
Commission receivable	(34,451)	(626)

(l) Investments

	2025 HK\$	2024 HK\$
Investments of financial instruments managed by a fellow subsidiary	23,069,020	23,694,532

(m) Compensation of key management personnel of the Group:

The remuneration of directors, who are also the key management personnel of the Group, during the year is disclosed in note 9 to the consolidated financial statements.

(n) Purchase of services

	2025 HK\$	2024 HK\$
Investment management fee with a fellow subsidiary	3,479,942	2,789,880

31. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties under an operating lease arrangement, with a lease negotiated for a term of three years. The terms of the lease also require the tenant to pay security deposit. Details of the investment properties are set out in note 18 to the consolidated financial statements.

At 31 December 2025, the Group had future minimum lease receivables of HK\$94,268 (2024: HK\$93,260) under the non-cancellable operating lease with its tenant.

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32. FINANCIAL STATEMENTS OF THE COMPANY

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	2025	2024
	HK\$	HK\$
Insurance revenue	2,183,278,934	1,713,307,003
Insurance service expenses	(1,122,394,611)	(992,596,712)
Net expenses from reinsurance contracts held	(1,058,578,254)	(701,706,292)
Insurance service result	2,306,069	19,003,999
Interest income (from financial assets not measured at fair value through profit or loss)	34,042,995	41,334,592
Net Investment gains	91,369,498	75,745,274
Net credit impairment reversal /(losses)	252,521	(520,382)
Change in fair value of investment properties	(136,115)	(810,000)
Change in fair value of financial assets	3,434,976	6,679,491
Rental income from investment properties	237,265	235,348
Exchange gains/(losses)	7,935,984	(15,132,312)
Other income, gains and losses	(7,024,667)	1,854,755
Net investment income	130,112,457	109,386,766
Finance expenses from insurance contracts issued	(55,803,916)	(102,146,567)
Finance income from reinsurance contracts held	41,176,530	76,841,248
Net insurance finance expenses	(14,627,386)	(25,305,319)
Net insurance and investment result	117,791,140	103,085,446
Other operating and administrative expenses	(7,752,694)	(3,255,632)
PROFIT BEFORE INCOME TAX	110,038,446	99,829,814
Income tax expenses	(12,487,764)	(5,065,272)
PROFIT FOR THE YEAR	97,550,682	94,764,542

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32. FINANCIAL STATEMENTS OF THE COMPANY (Continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
	HK\$	HK\$
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Finance expenses from insurance contracts issued	(42,303,375)	(22,629,349)
Finance income from reinsurance contracts held before tax	26,676,144	12,481,995
Changes in the fair value of debt instruments at fair value through other comprehensive income	67,209,316	(224,266)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	(312,188)	431,374
Items that will not be reclassified to profit or loss:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	2,210,964	2,585,587
Income tax relating to these items	(8,984,000)	733,000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	44,496,861	(6,621,659)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	142,047,543	88,142,883

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL STATEMENTS OF THE COMPANY (Continued)

**STATEMENT OF FINANCIAL POSITION OF THE COMPANY
AT 31 DECEMBER 2025**

	31 Dec 2025	31 Dec 2024
	HK\$	HK\$
ASSETS		
Property and equipment	28,824,615	30,377,778
Intangible assets	14,307,787	11,461,958
Investment properties	6,765,120	6,839,495
Right-of-use assets	4,899,498	7,629,065
Investment in subsidiary	5,000,000	4,291,329
Investment in an associate	3,967,100	3,217,493
Financial assets measured at fair value through other comprehensive income	2,244,026,604	1,940,527,777
Financial assets measured at fair value through profit or loss	98,733,481	69,896,128
Insurance contract assets	19,264,345	17,288,649
Reinsurance contract assets	1,317,044,655	1,610,710,113
Other assets	34,984,776	9,564,644
Deferred tax assets	-	-
Term deposits	721,245,320	544,010,912
Cash and cash equivalents	377,372,362	512,683,758
TOTAL ASSETS	4,876,435,663	4,768,499,099
LIABILITIES		
Insurance contract liabilities	2,558,889,825	2,848,755,484
Reinsurance contract liabilities	150,826,238	1,866,403
Salary Payable	48,709,262	40,065,916
Other liabilities	211,227,101	83,475,585
Income tax payable	9,000,000	-
Dividend payable	-	11,000,000
Lease liabilities	5,066,780	7,718,563
Deferred tax liabilities	23,073,887	10,602,119
TOTAL LIABILITIES	3,006,793,093	3,003,484,070

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 FINANCIAL STATEMENTS OF THE COMPANY (Continued)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)
AT 31 DECEMBER 2025

	31 Dec 2025	31 Dec 2024
	HK\$	HK\$
EQUITY		
Issued capital	1,609,999,956	1,609,999,956
Reserves	892,280	(45,299,985)
Retained profits	258,750,334	200,315,058
TOTAL EQUITY	<u>1,869,642,570</u>	<u>1,765,015,029</u>
TOTAL EQUITY AND LIABILITIES	<u>4,876,435,663</u>	<u>4,768,499,099</u>

Approved and authorised for issue by the directors on 31 March 2026 and are signed by:



Chan Bernard Charnwut
Director



Fang Fang
Director

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL STATEMENTS OF THE COMPANY (Continued)

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

	Issued capital HK\$	Fair value reserve HK\$	Insurance finance reserve HK\$	Retained Profits/ (Accumulated losses) HK\$	Total equity HK\$
As 1 January 2024	1,609,999,956	(60,247,357)	20,320,673	117,798,874	1,687,872,146
Profit for the year as restated	-	-	-	94,764,542	94,764,542
Other comprehensive income for the year	-	1,852,695	(8,474,354)	-	(6,621,659)
Total comprehensive income for the year	-	1,852,695	(8,474,354)	94,764,542	88,142,883
Other comprehensive income transferred to retained earnings	-	1,248,358	-	(1,248,358)	-
Dividend recognised as distribution	-	-	-	(11,000,000)	(11,000,000)
At 31 December 2024	1,609,999,956	(57,146,304)	11,846,319	200,315,058	1,765,015,029
Profit for the year	-	-	-	97,550,682	97,550,682
Other comprehensive income for the year	-	57,546,090	(13,049,229)	-	44,496,861
Total comprehensive income for the year	-	57,546,090	(13,049,229)	97,550,682	142,047,543
Other comprehensive income transferred to retained earnings	-	1,695,404	-	(1,695,406)	(2)
Dividend recognised as distribution	-	-	-	(37,420,000)	(37,420,000)
At 31 December 2025	1,609,999,956	2,095,190	(1,202,910)	258,750,334	1,869,642,570

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32 FINANCIAL STATEMENTS OF THE COMPANY (Continued)

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

	2025	2024
	HK\$	HK\$
Cash flows from operating activities		
Profit before tax	110,038,443	99,829,814
Adjustments for:		
Depreciation of property and equipment	1,782,214	1,877,123
Amortization of intangible assets	1,889,355	1,534,010
Depreciation of right-of-use assets	3,845,455	3,665,312
Dividend income	(5,541,183)	(10,734,854)
Interest income	(110,584,302)	(97,232,969)
Interest expense on lease liabilities	386,064	286,309
Realised gains on disposal of investments assets	(8,049,638)	(9,112,043)
Recovery of impairment loss on financial assets	-	-
Net credit impairment (gains)/losses	(252,521)	520,382
Change in fair value of investment properties	136,115	810,000
Rental income from investment properties	(237,265)	(235,348)
Exchange difference	(8,257,350)	16,593,939
Change in fair value of financial assets	(3,434,976)	(6,679,491)
Investment income from associate	(1,459,125)	-
Operating (loss)/profit before working capital changes	(19,738,714)	1,122,184
Increase in insurance contract assets	(44,279,071)	(29,301,353)
Decrease in reinsurance contracts assets	320,341,602	195,250,874
Increase in other assets	(27,520,804)	(5,734,712)
Increase in other liabilities	136,257,203	29,579,785
Increase/(decrease) in reinsurance contract liabilities	148,959,835	(3,355,521)
(Decrease)/Increase in insurance contract liabilities	(289,865,659)	8,751,091
Net cash generated from operating activities	224,154,392	196,312,348

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 FINANCIAL STATEMENTS OF THE COMPANY (Continued)

STATEMENT OF CASH FLOWS OF THE COMPANY (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
	HK\$	HK\$
Investing activities		
Rental income from investment properties	237,265	235,348
Purchase of items of property and equipment	(229,600)	(52,151)
Purchase of items of intangible assets	(4,735,184)	(2,584,438)
Proceeds from disposals of items of plant and equipment	550	1,662
Proceeds from disposal of investments assets	621,416,270	594,896,934
Purchase of investment assets	(886,312,663)	(818,677,983)
Dividends from Associates	(749,607)	-
Interest received	125,388,858	117,115,608
Dividends received from investment assets	6,764,252	11,879,368
(Decrease)/increase in time deposits with original maturity of more than three months when acquired	(171,285,153)	215,832,246
Increase in amount due from a subsidiary	169,172	-
Decrease in amount due from the ultimate holding company	137,663	-
Net cash (used in)/generated from investing activities	(309,198,177)	118,646,594
Financing activities		
Dividend paid	(48,420,000)	(500,000)
Repayments of lease liabilities	(3,767,020)	(3,771,879)
Interest paid on lease liabilities	(386,064)	(286,309)
Early termination payment	(652)	-
Net cash used in financing activities	(52,573,736)	(4,558,188)
Net (decrease)/increase in cash and cash equivalents	(137,617,521)	310,400,754
Cash and cash equivalents at beginning of the year	512,683,757	206,021,219
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	2,306,125	(3,738,215)
Cash and cash equivalents at end of year	377,372,362	512,683,758
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	125,833,795	158,312,687
Time deposits with original maturity of less than three months when acquired	251,210,501	351,989,927
Interest receivables	328,066	2,381,144
Cash and cash equivalents	377,372,362	512,683,758