China Reinsurance (Hong Kong) Company Limited

31 December 2025

Directors' Report

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

Principal place of business

China Reinsurance (Hong Kong) Company Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business.

Principal activities

The principal activity of the Company is underwriting Class A and Class D long term reinsurance businesses under the HKIO in or from Hong Kong.

The Company is authorized on 16 December 2019 under the HKIO to carry on Class A and Class D long term reinsurance businesses in or from Hong Kong.

Business review

No business review is presented as the Company has been able to claim the exemption under Section 388 (3) of the Companies Ordinance Cap.622 since it is a wholly owned subsidiary of China Life Reinsurance Company Limited.

Share capital

Details of movements in the Company's share capital during the year are set out in note 24 to the financial statements.

Directors

The directors during the financial year were:

Luo Yawei	(resigned on 18 August 2025)
Zhang Gong ming	
Zhou Jun	(appointed on 7 August 2025)
Mok Kam Sheung	
Li Ming	(appointed on 25 February 2025)
Chow Ka Yin	(resigned on 19 June 2025)
Wang Xiao Jun	(appointed on 13 May 2025)
Zhai Qing Feng	(resigned on 7 March 2025)

There being no provision in the company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

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

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No contracts of significance to which the Company, its holding companies or any of its fellow subsidiaries was a party and in which a director or an individual controller 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.

Controllers

The controllers of the Company, within the meaning of Section 9 (1) of the HKIO, during the year and up to the date of this report were:

Tian Meipan	- Chairman of China Life Reinsurance Company Ltd. - Vice President of China Reinsurance (Group) Corporation
He Chunlei (resigned on 18 September 2025)	- Executive Director and - Chairman of China Reinsurance (Group) Corporation
Zhuang Qianzhi	- Executive Director, - Chairman of China Reinsurance (Group) Corporation.
China Life Reinsurance Company Ltd.	- Defined as controller by holding more than 15% of the voting power of the Company

Controllers (continued)

China Reinsurance (Group) Corporation	- Defined as controller by holding more than 15% of the voting power of China Life Reinsurance Company Ltd.
Central Huijin Investment Ltd.	- Defined as controller by holding more than 15% of the voting power of China Reinsurance (Group) Corporation

Auditors

KPMG, being eligible, offer themselves for appointment.

By order of the board

Director

Director

Hong Kong, 28 April 2026

KPMG
8th Floor, Prince's Building
Central, Hong Kong
G P O Box 50, Hong Kong
Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of China Reinsurance (Hong Kong) Company Limited (the "Company") set out on pages 8 to 83, which comprise the statement of financial position as at 31 December 2025, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), as applicable to audits of the 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.

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Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is LEE Lok Man (practising certificate number: P04701).

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KPMG
Certified Public Accountants

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

28 April 2026

Statement of profit or loss for the year ended 31 December 2025

(Expressed in Hong Kong Dollars)

	Notes	*2025* HK$	*2024* HK$
Operating income			
Insurance revenue	6	1,079,554,532	968,538,172
Investment income	7	3,743,474,259	2,485,965,830
Exchange losses		(315,413,468)	(7,540,676)
Other income		28,353,553	27,844,085
Total income		4,535,968,876	3,474,807,411
Operating Expense			
Insurance service expenses		(1,081,733,629)	(705,054,848)
Allocation of reinsurance premium paid	8	(21,670,444)	234,240,948
Amounts recovered from reinsurance contracts		32,173,138	16,082,254
Finance expenses from reinsurance contracts issued	9	(1,244,823,395)	(1,433,183,144)
Finance income from reinsurance contracts held	9	230,870,491	220,896,417
Net impairment loss on financial assets		(4,735,290)	3,010,235
Other operating and administrative expenses	10	(128,220,207)	(64,581,002)
Other finance costs		(340,353,832)	(445,512,558)
Total insurance service expenses and others		(2,558,493,168)	(2,174,101,698)
Profit before tax		1,977,475,708	1,300,705,713
Income tax	11	(224,023,887)	(93,514,295)
Net profit		1,753,451,821	1,207,191,418

Statement of comprehensive income for the year ended 31 December 2025 (continued)

(Expressed in Hong Kong Dollars)

	Notes	*2025* HK$	*2024* HK$
Other comprehensive income after tax			
Items that will not be transferred to profit or loss:			
Change in the fair value of equity investments at fair value through other comprehensive income		21,304,063	59,186,662
Deferred tax		(3,603,584)	(22,511,314)
Items that may be reclassified subsequently to profit or loss:			
Change in the fair value of debt instruments at fair value through other comprehensive income		593,928,313	(93,660,733)
Financial changes in reinsurance contracts		(617,305,010)	(141,190,682)
Financial changes on ceded reinsurance contracts		(62,451,717)	57,752,614
Deferred tax		17,542,396	14,610,651
Total other comprehensive income after tax		(50,585,539)	(125,812,802)
Total comprehensive income for the year attributable to shareholder of the Company		1,702,866,282	1,081,378,616

The notes on pages 15 to 83 are an integral part of these financial statements.

Statement of financial position
as at 31 December 2025
(Expressed in Hong Kong Dollars)

	Notes	*31 December 2025* HK$	*31 December 2024* HK$ (Restated)
Assets			
Cash and cash equivalents	15	1,053,549,283	923,761,210
Restricted cash	16	313,295,523	251,861,821
Derivative financial assets	23	270,213,242	169,983,171
Financial assets at fair value through profit or loss	14	14,955,823,131	16,092,595,824
Financial assets at amortized cost	14	9,023,479,335	11,672,510,961
Financial assets at fair value through other comprehensive income	14	23,683,205,441	25,178,560,264
Reinsurance contract assets	17	82,174,408	41,168,465
Ceded reinsurance contract assets	17	6,616,357,611	6,107,917,503
Investment contract assets		245,981,752	-
Property and equipment	12	127,411	242,174
Right-of-use assets	22	944,619	4,723,094
Intangible assets	13	1,594,111	2,054,676
Deferred tax assets	19	-	98,197,218
Other assets	20	1,322,300,648	875,106,182
Total assets		57,569,046,515	61,418,682,563

The notes on pages 15 to 83 are an integral part of these financial statements.

Statement of financial position as at 31 December 2025 (continued)

(Expressed in Hong Kong Dollars)

	Note	*31 December 2025* HK$	*31 December 2024* HK$ (Restated)
Liabilities and equity			
Liabilities			
Derivative financial liabilities	23	177,133,766	472,008,446
Securities sold under agreements to repurchase	25	7,701,528,803	8,553,451,725
Investment contract liabilities	21	1,091,516,527	1,057,640,327
Reinsurance contract liabilities	17	43,561,417,265	48,313,582,843
Ceded reinsurance contract liabilities	17	115,195,826	8,163,024
Lease liabilities	22	1,192,133	4,981,319
Deferred tax liabilities	19	19,084,727	-
Tax payables		92,803,130	-
Other liabilities	25	465,910,638	368,457,461
Total liabilities		53,225,782,815	58,778,285,145
Equity			
Share capital	24	4,000,000,000	4,000,000,000
Reserves		794,985,795	823,195,594
Accumulated losses		(451,722,095)	(2,182,798,176)
Total equity		4,343,263,700	2,640,397,418
Total liabilities and equity		57,569,046,515	61,418,682,563

The financial statements on pages 8 to 83 have been approved by the Board of Directors on 28 April 2026 and were signed on its behalf.

Chief executive	Director	Director

The notes on pages 15 to 83 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2025

(Expressed in Hong Kong Dollars)

		Attributable to the shareholder of the Company			
	Share capital	*Fair value reserve*	*Insurance finance reserve*	*Accumulated losses*	*Total*
	HK$	HK$	HK$	HK$	HK$
Balance at 1 January 2025	4,000,000,000	(468,660,311)	1,291,855,905	(2,182,798,176)	2,640,397,418
Profit for the year	-	-	-	1,753,451,821	1,753,451,821
Other comprehensive income:					
Changes in the fair value of debt instrument at FVOCI	-	593,928,313	-	-	593,928,313
Changes in the fair value of equities at FVOCI	-	21,304,063	-	-	21,304,063
Net finance expenses from reinsurance contracts held	-	-	(617,305,010)	-	(617,305,010)
Net finance expenses from reinsurance contracts ceded	-	-	(62,451,717)	-	(62,451,717)
Transfer upon disposal of equity investment at FVOCI	-	22,375,740	-	(22,375,740)	-
Deferred tax	-	(42,141,118)	56,079,930	-	13,938,812
At 31 December 2025	4,000,000,000	126,806,687	668,179,108	(451,722,095)	4,343,263,700
Balance at 1 January 2024	4,000,000,000	(633,079,689)	1,368,410,332	(3,176,311,841)	1,559,018,802
Profit for the year	-	-	-	1,207,191,418	1,207,191,418
Other comprehensive income:					
Changes in the fair value of debt instrument at FVOCI	-	(93,660,733)	-	-	(93,660,733)
Changes in the fair value of equities at FVOCI	-	59,186,662	-	-	59,186,662
Net finance expenses from reinsurance contracts held	-	-	(141,190,682)	-	(141,190,682)
Net finance expenses from reinsurance contracts ceded	-	-	57,752,614	-	57,752,614
Transfer upon disposal of equity investment at FVOCI	-	213,677,753	-	(213,677,753)	-
Deferred tax	-	(14,784,304)	6,883,641	-	(7,900,663)
At 31 December 2024	4,000,000,000	(468,660,311)	1,291,855,905	(2,182,798,176)	2,640,397,418

The notes on pages 15 to 83 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2025

(Expressed in Hong Kong Dollars)

	Notes	*2025* HK$	*2024* HK$ (Restated)
Cash flow from operating activities			
Profit before taxation		1,977,475,708	1,300,705,713
Adjustments for:			
Depreciation of property and equipment and intangible assets	12,13	803,577	799,273
Depreciation charge of right-of-use assets	10	3,778,475	3,518,441
Interest expenses on lease liabilities	22	198,579	361,518
Dividend income from investments in equity investments	7	(146,954,575)	(218,257,636)
Interest income and other investment income	7	(1,945,930,105)	(1,715,801,778)
Interest expense on repurchase agreement		340,155,253	444,250,409
Investment service fee and accounting fee		149,243,756	118,215,181
Net exchange losses/(gains)		276,030,391	(83,548,979)
Net realised (gains)/losses on investments	7	(549,449,135)	497,828,433
Net unrealized gains on investments	7	(834,515,195)	(753,714,793)
Provision for/(Reversal of) impairment losses on financial assets		4,735,290	(3,010,235)
Operating cash flows before changes in working capital		(724,427,981)	(408,654,453)
Changes in reinsurance contract assets/liabilities		(6,273,916,535)	4,714,749,224
Increase in investment contract assets		(245,981,752)	-
Increase/(decrease) in investment contract liabilities		33,876,200	(39,558,153)
Increase in accrual and other payables		14,443,494	38,655,172
Decrease in other receivables		(441,580,500)	(194,276,289)
Net cash (used in)/generated from operating activities		(7,637,587,074)	4,110,915,501

The notes on pages 15 to 83 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2025 (continued)
(Expressed in Hong Kong Dollars)

	Notes	*2025* HK$	*2024* HK$ (Restated)
Cash flow from investing activities			
Payments for purchase of property and equipment and intangible assets	12,13	(228,249)	(456,783)
Payments for purchase of investments		(53,687,654,676)	(56,579,376,265)
Proceeds from disposals of investments		60,582,837,768	51,325,810,784
Dividends received from investments in equity securities		140,799,846	219,554,802
Interest received		1,994,565,628	1,614,069,704
Investment service fee and accounting fee paid		(107,227,481)	(108,192,896)
Net cash generated from/(used in) investing activities		8,923,092,836	(3,528,590,654)
Cash flow from financing activities			
Lending under repurchase agreements		(851,922,922)	(43,709,012)
Interest paid for repurchase agreement		(299,161,845)	(465,952,499)
Cash paid for lease liability	22	(3,987,765)	(3,766,223)
Net cash used in from financing activities		(1,155,072,532)	(513,427,734)
Net increase in cash and cash equivalents		130,433,230	68,897,113
Cash and cash equivalents at beginning of year		923,761,210	854,864,097
Cash and cash equivalents at end of year	15	1,054,194,440	923,761,210

The notes on pages 15 to 83 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2025

1 Corporate information

China Reinsurance (Hong Kong) Company Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1618, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company is authorized on 16 December 2019 under the Hong Kong Insurance Ordinance (“HKIO”) to carry on Class A and Class D long term reinsurance businesses in or from Hong Kong.

The Company is principally engaged in the underwriting of Class A and Class D long term reinsurance businesses in or from Hong Kong.

The financial statements are presented in HK dollars, unless otherwise stated.

2 Basis of preparation and material accounting policies

(a) Basis of preparation

(i) Compliance with HKFRS Accounting Standards and Hong Kong Companies Ordinance (“HKCO”)

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the company are disclosed below.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The estimates and underlying assumptions are reviewed on an ongoing basis.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost basis except for certain financial assets and liabilities are measured at fair value.

2 Basis of preparation and material accounting policies (continued)

(iii) Changes in accounting policies

The company has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability, issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the company has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

The company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements except for the following:

2 Basis of preparation and material accounting policies (continued)

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, income taxes and discontinued operations categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The company does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

(b) Material accounting policies

2.1 Interest income and dividend income

Interest income for all financial instruments is recognised using the effective interest rate method, calculated over the asset's expected life. Premiums and/or discounts arising on the purchase of dated investment securities are included in the calculation of their effective interest rates. Dividend income from listed investments is recognised when the share price goes ex-dividend and dividend income from unlisted investments is recognised when the right to receive payment has been irrevocably established. Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

2.2 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.3 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Basis of preparation and material accounting policies (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency”).

The financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at fair value through income are reported as part of the fair value gain or loss.

2 Basis of preparation and material accounting policies (continued)

2.5 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Contributions to defined contribution retirement plans

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recogised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.7 Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2 Basis of preparation and material accounting policies (continued)

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Computer equipment 3 - 5 years
- Office equipment 3 - 5 years

Gains or losses arising from disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

2.8 Intangible assets

Intangible assets represent computer software which is stated at cost less accumulated amortization and impairment losses.

Amortisation of computer software is charged to the income statement over the estimated useful life of five years, on a straight-line basis.

2.9 Investment and other financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

2 Basis of preparation and material accounting policies (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line Item in the Statement of Profit or Loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recogition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance in come using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate lie item in the Statement of Profit or Loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Again or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Basis of preparation and material accounting policies (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the Statement of Profit or Loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL will reflect the change in risk of default occurring over the remaining life of the instruments. The inputs, assumptions and estimation techniques of ECL used are elaborated as below:

(i) Measurement of ECL

The Company calculates ECL using three main components, a probability of default ("PD"), a loss given default ("LGD") and the exposure at default ("EAD").

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead where the lifetime PD takes into account credit migration, i.e.an instrument migrating through the external credit rating bands over its life. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the Statement of Financial Position date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Company reference to ECL parameters published by recognised independent institutions and credit rating agencies. Management also considers market information such as indexes movement and industries performance to each investment instrument, the referencing parameter such as PD, LGD and EAD factors are being adjusted by in cooperating the necessary adjustment factors. Adjusted ECL parameters are finally applied and the calculation of ECL of each instrument.

2 Basis of preparation and material accounting policies (continued)

(ii) Unimpaired and without significant increase in credit risk-(stage 1)

ECL resulting from default events that are possible within the next 12 months ("12-month ECL) are recognised for financial instruments that remain in stage 1. The Company considers bonds and receivables to have low credit risk when its credit rating is equivalent to the globally understood definition of investment grade' based on five quality classifications.

Definition of investment grade and asset quality classifications

For debt securities and loans and receivables, external ratings have been aligned to the five quality classifications. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently. Debt securities with short-term issue ratings are reported against the long-term rating of the issuer of those securities. If major rating agencies have different ratings for the same debt securities, a prudent rating selection is made in line with regulatory requirements.

Strong:	exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.
Good:	exposures demonstrate a good capacity to meet financial commitments, with low default risk.
Medium/Satisfactory:	exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
Sub-standard:	exposures require varying degrees of special attention and default risk is of greater concern.
Credit-impaired:	exposures have been assessed as impaired.

(iii) Significant increase in credit risk (stage 2)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information (that is consistent with the measurement of ECL).

Significant increase in credit risk is measured by comparing the average lifetime PD for the remaining term estimated at origination with the equivalent estimation at reporting date. Debt securities and loans and receivables will be in stage 2 if their credit risk increases to the extent that they are no longer considered investment grade. Also, all financial assets are deemed to have suffered a significant increase in credit risk when 6o days past due and the Company will classify those investment grade lower than Cin stage 2 in the initial recognition.

2 Basis of preparation and material accounting policies (continued)

(iv) Credit-impaired (stage 3)

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans and bonds which are considered defaulted or otherwise credit-impaired.

Loss allowances for trade receivables, lease-receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these assets are estimated using a provision matrix based on the historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

(e) Derecognition

A financial asset is derecognised when one of the following criteria is met: (1 the contractual rights to receive cash flows from the financial asset have expired,(i) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (ii) the financial asset has been transferred to the transferee and the Company has not retained control of the financial asset, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument 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 recogised 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.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recover efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (i) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

2 Basis of preparation and material accounting policies (continued)

2.10 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Provisions

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation arising from past events and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate at the expenditure required to settle the present obligation at the end of the reporting period.

2.13 Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are transactions where the Company sells financial assets which will be repurchased at a future date under repurchase agreements. The cash received is recognised as amounts sold under agreements to repurchase in the Statement of Financial Position.

2.14 Lease

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

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

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

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

2 Basis of preparation and material accounting policies (continued)

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recogised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly in office and electronic equipment and small items of office furniture.

The Company applied the following accounting policies which are related to operating lease:

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

2.15 Related party transactions

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

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

  (ii) has significant influence over the Company; or

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

2 Basis of preparation and material accounting policies (continued)

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

(i) The entity and the Company are members of the same group;

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

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

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

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

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

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

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

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

2.16 Insurance Contract

(a) Classification

The Company classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Contracts under which the Company transfers significant insurance risk are classified as insurance contracts, while those contracts which have the legal form of insurance contracts but do not transfer significant insurance risk are classified as financial liabilities and are referred to as investment contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Company to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Company to financial risk.

Once a contract has been classified as an insurance, reinsurance or investment contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

2 Basis of preparation and material accounting policies (continued)

(b) Combination and separation

The Company considers a set or series of insurance contracts with the same or related counterparties that may achieve, or be designed to achieve, an overall commercial effect as a whole.

At inception, the Company separates the following components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and

- distinct investment components - i.e. investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

(c) Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held.

Insurance Contracts

A portfolio of insurance contracts of the Company comprises contracts subject to similar risks and are managed together. Each portfolio is further disaggregated into groups of contracts within one calendar year and is divided into at least three groups based on the profitability of the contract:

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

2 Basis of preparation and material accounting policies (continued)

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

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

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added.

Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Company aggregates reinsurance contracts held within one calendar year into groups of:

- a group of contracts for which there is a net gain at initial recognition;

- a group of contracts that at initial recognition have no significant possibility of a net gain arising subsequently; and
- a group of the remaining contracts in the portfolio.

A group of reinsurance contracts held by the Company is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: Generally later of the beginning of the coverage period of the Company of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised.

- Other reinsurance contracts held: The beginning of the coverage period of the Company of reinsurance contracts held. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the Company of reinsurance contracts held is recognised on that earlier date.

(d) Fulfilment cash flows

Fulfilment cash flows comprise:

Estimates of future cash flows

The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

2 Basis of preparation and material accounting policies (continued)

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the Company of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

A risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, to reflect the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

(e) Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Insurance Contracts

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

A substantive obligation to provide insurance contract services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts held

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

2 Basis of preparation and material accounting policies (continued)

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

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

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

(f) Insurance acquisition cash flows

The Company 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 Company belongs.

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method.

(g) Measurement

(i) Initial measurement

On initial recognition, the Company measures a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

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

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

2 Basis of preparation and material accounting policies (continued)

(ii) Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided Under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);

- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and

- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts.

The carrying amount of the CSM at each reporting date is that at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;

- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition;

- changes in fulfilment cash flows that relate to future services, except to the extent that: any Increases in the fulfilment cash flows exceed the carrying a Mount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;

- the effect of any currency exchange differences on the CSM; and

- the amount recognised as insurance revenue for service provided in the period.

2 Basis of preparation and material accounting policies (continued)

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

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

(iii) Measurement - reinsurance contracts held

For groups of reinsurance contracts held, the Company applies the same accounting policies as that applied to insurance contracts not measured under PAA, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

2 Basis of preparation and material accounting policies (continued)

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the Company, before the Company is recognised, (c) cash flows arising from the contracts in the Company at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is that at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the Company in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the Company;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

The Company adjusts the CSM of the Company 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 is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

2 Basis of preparation and material accounting policies (continued)

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine a portion of losses recognised on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

(h) Presentation

Portfolios of insurance contracts 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.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts.

The Company disaggregates change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

(i) Insurance revenue

The Company recognises insurance revenue as it satisfies its performance obligations -i.e. as it provides services under groups of contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, excludes expected investment components and mainly comprises the following items:

- A release of the CSM, measured based on coverage units provided;
- Change in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for premium receipts for current or past services.

For insurance acquisition cash flows recovery, the Company allocates a portion of premiums related to the recovery in a systematic way over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

2 Basis of preparation and material accounting policies (continued)

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the Company, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

(ii) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: for contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

For contracts not measured under the PAA, amortisation 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, as described above.

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

(iii) Loss components

For contracts not measured under the PAA, the Company establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Company's share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the Company of contracts.

2 Basis of preparation and material accounting policies (continued)

For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Company established a loss-recovery component at 1 January 2022.

The Company determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

(iv) Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein.

The Company has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the Company of contracts.

3 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are periodically evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgement involved including the use of assumptions and estimation are discussed below.

3.1 Classification and significant risk testing of contracts

The Company makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. In addition, the Company makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing insurance risk significance tests. The result of such judgement affects the classification of insurance contracts.

Different contract classifications would affect the accounting treatment and the Company’s financial position and operating results.

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are detailed below, which will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

(a) Significant insurance risk test

The Company performs significant insurance risk test at the inception of a contract.

Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance (i.e. no discernible effect on the economics of the transaction). If an insured event could mean significant additional amounts would be payable in any scenario that has commercial substance, the condition in the previous sentence can be met even if the insured event is extremely unlikely, or even if the expected (i.e. probability-weighted) present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

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

Insurance contract liabilities are determined on the basis of the Company's estimates of future benefits, premiums and related expenses, taking into account the risk adjustment for non-financial risk. The mortality rate, morbidity rate, lapse rate, discount rate and expense assumption used for the estimation are determined according to the latest empirical analysis and current and future economic conditions. The uncertainty of liabilities arising from uncertain future cash flows such as future benefits, premiums, and related expenses is reflected through the risk adjustment for non-financial risk.

Assumptions used to develop estimates about future cash flows are reassessed by the Company at the reporting date and adjusted where required.

(b) Estimates of future cash flows

Insurance contract liabilities are determined on the basis of the Company's estimates of future benefits, premiums and related expenses, taking into account the risk adjustment for non-financial risk. The mortality rate, morbidity rate, lapse rate, discount rate and expense assumption used for the estimation are determined according to the latest empirical analysis and current and future economic conditions. The uncertainty of liabilities arising from uncertain future cash flows such as future benefits, premiums, and related expenses is reflected through the risk adjustment for non-financial risk.

Assumptions used to develop estimates about future cash flows are reassessed by The Company at the reporting date and adjusted where required.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

Methodology and assumptions

The discount rate

The discount rates are based on liquid risk-free yield curves available at the reporting date. The Company further adjust the liquid risk-free yield curves to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts when such differences are significant. The assumed spot discount rates are as follows:

	Discount rate assumptions
31 December 2025	1.837 - 5.340%
31 December 2024	1.581 - 5.360%

The probability of insurance event

The Company determines the probability of insurance event according to historical experience and the expectation in the future. For mortality and morbidity assumptions, The Company refers to “China Life Insurance Mortality Table (2010-2013)” issued by former China Insurance Regulatory Commission and “China Life Insurance Morbidity Table (2020)” issued by former China Banking and Insurance Regulatory Commission in addition to its historical experience. For other assumptions, The Company would mainly refer to its historical experience, the pricing assumption or the industry benchmarks.

Expense and other assumptions

The Company determines the expense assumption according to its historical experience and the future expectation. The Company would also consider inflation metrics to determine the expense assumption if the assumption is sensitive to inflationary pressures.

The lapse rate and other assumptions for reserving are determined using The Company’s reliable historical experience, current situations and future expectations.

Risk adjustments for non-financial risk

The risk adjustment for non-financial risk is calculated at The Company level and then allocated down to each group of contracts in accordance with their risk profiles. The Company applies a quantile approach and determines the risk adjustment for non-financial risk at the 75th quantile points.

(c) Investment components

The Company identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. For contracts with surrender values, the investment component is determined as the change of surrender value when a payment is made.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

(d) Fair value of financial instruments

The Company invests primarily in debt investments, equity investments, and so on. The Company's significant accounting estimates and judgements regarding investments are related to the recognition of impairment of financial assets and the determination of the fair value. In assessing the impairment, the Company has considered various factors (see Note 2.2.

The fair values of quoted investments are based on current bid prices. The fair value is the price at which two knowing parties transact willingly in a fair trade rather than under on compulsion or in liquidation.

The Company estimates the fair value of financial instruments using the following methods and assumptions:

- Debt securities: usually, fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price for reference, fair value is determined by the observed recent transaction price, or comparable investment's recent market price. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques.

- Equity investments: its fair market value is determined on the basis of its recent quoted market price. If there is no recent quoted market price, for the equity investments whose fair value cannot be measured reliably, they can be determined by using valuation techniques.

(e) Pipeline premium

Written premiums include pipeline premiums which represent future premiums receivable on in-force underlying insurance contracts. Pipeline premium estimates are typically based on the information provided by the cedant as well as the historical premium development patter.

(f) Measurement of ECL

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

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

- Selection of appropriate models and assumptions for the measurement of ECL;
- Determination of criteria for determining significant increases in credit risk, default and credit-impaired financial assets; (Note 2.9(d)(iii),(iv))
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings for different types of products; and

Refer to Note 4.2.1 (ii) measurement of ECL for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

(g) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits as well as the applicable tax rates.

There are some uncertainties on the estimation of future taxable profit as it involves a number of estimations for future transactions, including whether the actuarial assumptions and experience are consistent, the performance of future investment market, as well as the impacts of any future changes in tax laws and regulations.

4 Insurance and financial risk management

The Company is principally engaged in the underwriting of Class A and Class D long term reinsurance businesses. The majority of the risk in the insurance business can be categorised as insurance risk and financial risk. Insurance risk is the risk, other than financial risk, of loss transferred from the holder of the insurance contract to the Company. Financial risks include market risk, credit risk and liquidity risk.

4.1 Insurance risk

An insurance policy's risk lies in uncertainty of insured events and the corresponding paid loss. From the perspective of fundamental nature of each policy, the above risk occurs randomly, and the actual paid amount will differ from the estimated data based on statistical methods for each period. For those policy portfolios using probability theory for pricing and reserve estimation, the main risk the Company faces is that the actual payment exceeds the carrying amount of insurance liability, which will occur when the actual loss occurrence or severity exceeds expected values. Such risk is likely to occur in the following situations:

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

Severity risk -the possibility that the cost of the events will differ from that expected; or

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

Experience shows that the larger the insurance contracts portfolio of the same nature, the smaller the variability of expected results. In addition, a more diversified portfolio is less likely to be impacted by any sub-portfolio's change. The Company has already established insurance underwriting strategy to diversify underwriting risks and has maintained a sufficient number of policies for different types of insurance risk. Therefore, uncertainty of expected results will be reduced.

4 Insurance and financial risk management (continued)

For the Company's life reinsurance contracts, the most important factor is that continuous improvement of medical standards and social conditions help to extend life expectancy. Furthermore, policyholders' terminating contracts, reducing and refusing to pay premiums also impact insurance risk, which means that insurance risk is affected by policyholders' behaviors and decisions.

According to the risk characters, the Company's different departments manage corresponding insurance risk by determining insurance products' underwriting standards and strategy, and prescribing counterparty risk limits, reinsurance arrangements and claim processing.

Assumptions and sensitivity analysis for life and health insurance contracts:

Major assumptions

Life and health insurance contract reserve is determined by the Company's reasonable estimate of future payments and premiums. Mortality rates, morbidity rates, lapse rates, discount rates and expense assumptions adopted in reasonable estimation are determined by latest experience study, current and future expectations. Uncertainty of liabilities arisen from the uncertainty of future cash flows including future claim payments, premium and related expenses, etc. are reflected through risk margin.

Sensitivity analysis

Long-term life and health insurance contract assumptions and sensitivity analysis

	2025				
	Change in assumptions	*Impact of pre-reinsurance on profits before tax*	*Impact of post-reinsurance on pre-tax profits*	*Impact on equity before reinsurance*	*Impact on equity after reinsurance*
Mortality and morbidity assumptions	10%	(6,970,259)	(6,938,379)	5,709,799	5,738,111
Mortality and morbidity assumptions	-10%	7,139,600	7,107,713	(6,710,461)	(6,738,780)
Lapse rate assumptions	10%	2,185,697	(1,274,126)	(8,859,532)	(12,396,244)
Lapse rate assumptions	-10%	(2,179,545)	1,273,289	9,617,664	13,147,555
Discount rate (Note)	Increase 50bps	-	-	489,642,610	459,436,692
Discount rate	Decrease 50 bps	-	-	(520,567,339)	(489,988,064)

	2024				
	Change in assumptions	*Impact of pre-reinsurance on profits before tax*	*Impact of post-reinsurance on pre-tax profits*	*Impact on equity before reinsurance*	*Impact on equity after reinsurance*
Mortality and morbidity assumptions	10%	(6,743,626)	(6,741,843)	8,254,907	8,238,239
Mortality and morbidity assumptions	-10%	6,911,354	6,909,573	(9,296,483)	(9,279,815)
Lapse rate assumptions	10%	2,054,865	2,054,208	(11,697,245)	(11,832,956)
Lapse rate assumptions	-10%	(2,048,631)	(2,047,974)	12,710,215	12,846,341
Discount rate (Note)	Increase 50bps	-	-	469,883,468	407,504,187
Discount rate	Decrease 50 bps	-	-	(501,791,542)	(438,395,604)

Note: The above disclosure of change in discount rate does not take into account the impact on financial assets. The sensitivity of financial assets is reflected in the disclosure of interest rate risk (Note4.2.2).

4 Insurance and financial risk management (continued)

4.2 Financial risk

4.2.1 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.

(i) Credit risk management

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The main credit risks faced by the Company are related to deposits held in commercial banks, bond investments, insurance contract assets, and reinsurance contract assets. The Company manages credit risk through the use of various control measures to identify, measure, monitor, and report on credit risk.

Credit risk within financial assets at amortised cost and at fair value through other comprehensive income arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets. The Company manages the credit risk within bonds by monitoring the external credit rating, such as Standard &Poor’s ratings or their equivalents, of the bonds, the internal credit rating of the issuers of bonds, securitization as well as their respective industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Company has established policies to manage the derivative positions by amounts and by maturity dates, and has formulated the risk limit of derivative according to the Company's risk appetite and product characteristics. The current credit exposure equals to the fair value of those derivatives where the fair value changes are favorable to the Company (i.e. positive mark-to-market amounts). Credit risk exposures for derivatives are included as part of the aggregated credit risk limit management of the Company.

(ii) Expected Credit loss

Parameter for measuring ECL

The Company reference to ECL parameters from recognised independent institutions and credit rating agencies for the impairment assessment. For staging and coupon payment date, Management considers bonds with rating under “BBB-” as stage 2 bonds and the bonds with overdue payment day over 90 days as stage 3 assets.

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Company recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime respectively. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company establishes its PD models, LGD models and EAD models based on the internal and external rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of forward-looking information.

4 Insurance and financial risk management (continued)

The parameters are defined as follows:

- PD represents the likelihood of a debtor defaulting on its financial obligation, either over the next 12 months ("12m PD"), or over the remaining lifetime ("Lifetime PD") of the obligation; The Company's PD is adjusted on the basis of the results of the Company's internal rating model, incorporating forward-looking information to reflect the point-in-time PD of the debtor in the current macroeconomic environment;

- EAD is based on the amounts the Company expects to be reimbursed at the time of default;

- LGD represents the Company's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support, as well as the nature of the collateral. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The Company evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects etc. The Company mitigates credit risk through diversification of fixed income investment portfolios. The exposure to credit risks primarily associated with commercial banks and investment in bonds. Majority of the Company's financial assets are debt investments which include financial bonds and corporate bonds.

Forward looking information

The assessment of a significant increase in credit risk and the computation of ECL both involve forward-looking information. In assessing the ECL as at 31 December 2025, the Company has taken into account the impact of changes in current economic environment to the ECL model.

The Company identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Consumer Price Index, unemployment rate and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

As at 31 December 2025, the concentration of debt investments by credit rating was: 70% above A rating, 28% above BBB rating, 2% non-investment grade (31 December 2024: 72% above A rating, 25% above BBB rating, 3% non-investment grade) Debt investments at FVOCI include listed debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

4 Insurance and financial risk management (continued)

The loss allowance for financial assets as at 31 December 2025 and 31 December 2024 is summarized in below table:

Financial assets at amortised cost	*Stage 1* HK$	*Stage 2* HK$	*Stage 3* HK$	*Total* HK$
Loss allowance as at 1 January 2024	6,468,590	-	-	6,468,590
Increases in the current year	150,034	-	-	150,034
Write-offs	(2,860,842)	-	-	(2,860,842)
Foreign exchange and other changes	(38,376)	-	-	(38,376)
Loss allowance as at 31 December 2024	3,719,406	-	-	3,719,406
Increases in the current year	2,776,252	-	-	2,776,252
Write-offs	(1,284,807)	-	-	(1,284,807)
Foreign exchange and other changes	(1,541)	-	-	(1,541)
Loss allowance as at 31 December 2025	5,209,310	-	-	5,209,310

Financial asset at fair value through other comprehensive income	*Stage 1* HK$	*Stage 2* HK$	*Stage 3* HK$	*Total* HK$
Loss allowance as at 1 January 2024	8,281,244	-	-	8,281,244
Increases in the current year	4,128,411	-	-	4,128,411
Write-offs	(4,427,838)	-	-	(4,427,838)
Loss allowance as at 31 December 2024	7,981,817	-	-	7,981,817
Increases in the current year	4,615,210	-	-	4,615,210
Write-offs	(2,556,577)	-	-	(2,556,577)
Transfers between stages				
- Increase	-	194,750	-	194,750
- Decrease	(194,750)	-	-	(194,750)
Foreign exchange and other changes	-	-	-	-
Loss allowance as at 31 December 2025	9,845,700	194,750	-	10,040,450
Total loss allowance	15,055,010	194,750	-	15,249,760

4 Insurance and financial risk management (continued)

(iii) Credit risk exposure

The Company's maximum exposure to credit risk is the carrying amount of the financial assets in the Statement of Financial Position as at 31 December 2025.

	2025				
	Stage 1 HK$	*Stage 2* HK$	*Stage 3* HK$	*The maximum exposures* HK$	*Loss allowance* HK$
Cash and cash equivalents	1,053,549,283	-	-	1,053,549,283	645,157
Financial assets at amortized cost	9,023,479,335	-	-	9,023,479,335	5,209,310
Fair value through other comprehensive income	22,143,905,583	49,467,363	-	22,193,372,946	10,040,450
Other assets	1,322,300,648	-	-	1,322,300,648	540,818

	2024				
	Stage 1 HK$	*Stage 2* HK$	*Stage 3* HK$	*The maximum exposures* HK$	*Loss allowance* HK$
Cash and cash equivalents	923,761,210	-	-	923,761,210	-
Financial assets at amortized cost	11,672,510,961			11,672,510,961	3,719,406
Fair value through other comprehensive income	22,851,465,592	-	-	22,851,465,592	7,981,817
Other assets	875,106,182	-	-	875,106,182	-

4.2.2 Market risk

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

The Company adopts various measures managing market risk, including sensitive analysis, Value-at-Risk ("VaR"), stress testing, scenario analysis and other quantitative models to analyses market risks; mitigating market risk through a diversified investment portfolio; setting acceptable risk tolerance level according to development goals; and tracking the risk control results dynamically to maintain market risk exposure within acceptable level.

4 Insurance and financial risk management (continued)

Interest rate risk

The Company’s interest rate risk arises primarily from financial instruments, including cash and short-term time deposits, time deposits and debt investments.

		2025		*2024*	
	Interest rate change	*Impact on profit/(loss) before tax*	*Impact on equity*	*Impact on profit/(loss) before tax*	*Impact on equity*
		HK$	HK$	HK$	HK$
Financial instruments	+50bp	(64,209,341)	(699,540,794)	(75,426,158)	(738,965,409)
Financial instruments	-50bp	66,714,305	744,073,308	75,455,061	739,435,122

Currency risk

Fluctuations in exchange rates between the HKD and other currencies in which the Company conducts business may affect its financial position and results of operations. The foreign currency risk the Company facing mainly comes from movements in the USD/HKD, RMB/HKD and other currencies to HKD exchange rates.

4 Insurance and financial risk management (continued)

	2025							
	USD	*HKD*	*RMB*	*SGD*	*EUR*	*JPY*	*GBP*	*Total*
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Assets								
Cash and cash equivalents	331,201,864	303,945,149	2,455,764	415,251,720	694,786	-	-	1,053,549,283
Restricted cash	313,295,523	-	-	-	-	-	-	313,295,523
Financial assets at fair value through profit or loss	12,792,588,502	1,981,212,233	-	-	98,106,217	6,905,828	77,010,351	14,955,823,131
Financial assets at fair value through other comprehensive income	23,683,205,441	-	-	-	-	-	-	23,683,205,441
Financial assets at amortised cost	9,023,479,335	-	-	-	-	-	-	9,023,479,335
Derivative financial assets	65,557,115	-	200,450,822	4,205,305	-	-	-	270,213,242
Reinsurance contract assets	39,662	-	81,981,398	-	153,348	-	-	82,174,408
Ceded reinsurance contract assets	1,194,338,489	-	5,422,019,122	-	-	-	-	6,616,357,611
Investment contract assets	-	-	245,981,752	-	-	-	-	245,981,752
Other assets	22,586,102	40,741,895	-	1,258,553,520	76,330	-	342,801	1,322,300,648
Total	47,426,292,033	2,325,899,227	5,952,888,858	1,678,010,545	99,030,681	6,905,828	77,353,152	57,566,380,374

	2024							
	USD	*HKD*	*RMB*	*SGD*	*EUR*	*JPY*	*GBP*	*Total*
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Assets								
Cash and cash equivalents	842,527,532	42,988,953	2,311,223	35,933,502	-	-	-	923,761,210
Restricted cash	251,861,821	-	-	-	-	-	-	251,861,821
Financial assets at fair value through profit or loss	14,556,536,776	1,525,504,838	-	-	10,554,210	-	-	16,092,595,824
Financial assets at fair value through other comprehensive income	25,178,560,264	-	-	-	-	-	-	25,178,560,264
Financial assets at amortised cost	11,672,510,961	-	-	-	-	-	-	11,672,510,961
Derivative financial assets	165,443,590	-	2,600,111	1,939,470	-	-	-	169,983,171
Reinsurance contract assets	-	1,839,691	39,328,774	-	-	-	-	41,168,465
Ceded reinsurance contract assets	1,119,302,112	-	4,988,615,391	-	-	-	-	6,107,917,503
Other assets	133,980,806	11,480,882	-	729,644,494	-	-	-	875,106,182
Total	53,920,723,862	1,581,814,364	5,032,855,499	767,517,466	10,554,210	-	-	61,313,465,401

4 Insurance and financial risk management (continued)

	2025							
	USD	*HKD*	*RMB*	*SGD*	*EUR*	*JPY*	*GBP*	*Total*
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Liabilities								
Securities sold under agreements to repurchase	7,579,343,148	-	-	122,185,655	-	-	-	7,701,528,803
Ceded reinsurance contract liabilities	115,190,129	-	5,697	-	-	-	-	115,195,826
Reinsurance contract liabilities	18,676,246,016	7,642,608,252	17,221,696,248	19,924,075	942,674	-	-	43,561,417,265
Investment contract liabilities	-	1,074,919,314	16,597,213	-	-	-	-	1,091,516,527
Derivative financial liabilities	-	-	172,781,840	4,351,926	-	-	-	177,133,766
Other liabilities	301,351,369	124,002,539	3,342,392	37,184,158	30,180	-	-	465,910,638
Total	26,672,130,658	8,841,530,104	17,414,423,390	183,645,814	972,854	-	-	53,112,702,825

	2024							
	USD	*HKD*	*RMB*	*SGD*	*EUR*	*JPY*		*Total*
	HK$	HK$	HK$	HK$	HK$	HK$		HK$
Liabilities								
Securities sold under agreements to repurchase	8,553,451,725	-	-	-	-	-	-	8,553,451,725
Ceded reinsurance contract liabilities	8,159,141	-	3,883	-	-	-	-	8,163,024
Reinsurance contract liabilities	27,600,186,840	4,157,766,363	16,350,326,343	203,433,097	1,753,503	116,697	-	48,313,582,843
Investment contract liabilities	-	1,032,344,070	25,296,257	-	-	-	-	1,057,640,327
Derivative financial liabilities	-	-	472,008,446	-	-	-	-	472,008,446
Other liabilities	268,416,077	79,916,060	(15,893,460)	35,993,174	25,610	-	-	368,457,461
Total	36,430,213,783	5,270,026,493	16,831,741,469	239,426,271	1,779,113	116,697	-	58,773,303,826

4 Insurance and financial risk management (continued)

Currency risk - sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity of monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		Impact on profit before tax		*Impact on equity*	
Currency	*Changes in exchange rate*	*2025* HK$	*2024* HK$	*2025* HK$	*2024* HK$
USD	+5%	963,216,448	758,170,770	1,037,708,068	874,525,505
USD	-5%	(963,216,448)	(758,170,770)	(1,037,708,068)	(874,525,505)
RMB	+5%	(573,076,727)	(589,944,299)	(573,076,727)	(589,944,299)
RMB	-5%	573,076,727	589,944,299	573,076,727	589,944,299

Equity 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.

Since the Company hasn't issued any insurance contracts with participation features, there is no price risk for insurance contract liabilities from related asset. So the Company's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Company uses VaR to measure the expected loss in respect of equity price risk for stock and fund investments measured at fair value. The Company monitors the daily value fluctuation risk over a portent period of 1 day for going concern basis. Moreover, VaR is measured over a holding period of 250 trading days at a confidence level of 95% assumed under normal market condition.

Under normal market conditions, the impact on net equity of 1-day potential loss of equity investments such as stocks and investment funds is estimated using the VaR technique as follows (presented in negative value):

	2025	*2024*
Financial investments at fair value through profit or loss	HK$	HK$
Equity shares	(26,357,295)	(20,499,689)
Investment funds	(14,854,252)	(28,899,662)
	(41,211,547)	(49,399,351)

4 Insurance and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company fails to obtain sufficient capital to pay off its matured liabilities. During normal operating activities, the Company reduces liquidity risk through matching the maturity date of investment assets with that of financial liabilities and insurance liabilities.

The Company's relevant departments are responsible for managing and monitoring daily liquidity risks, including analysis of liquidity ratio, establishment of short-term and long-term investment strategy and setting up of a liquidity warning system to ensure liquidity safety. Investment strategies and policies are set out to maintain a relatively high level of liquidity and emphasis on duration matching. Regular analysis reports are prepared to proper manage and control internal liquidity risk.

The tables below summaries the remaining contractual maturity profile of the financial assets and financial liabilities, the expected timing of insurance contract liabilities and reinsurers' share of insurance contract liabilities of the Company based on undiscounted cash flows.

4 Insurance and financial risk management (continued)

(a) Excluding insurance

	31 December 2025				
	Within 1 year or undated HK$	*More than 1 year but less than 2 years* HK$	*More than 2 years but less than 5 years* HK$	*More than 5years* HK$	*Total* HK$
Assets					
Cash and cash equivalents	1,053,549,283	-	-	-	1,053,549,283
Restricted cash	313,295,523	-	-	-	313,295,523
Financial assets at fair value through profit or loss	6,636,673,212	429,926,769	1,950,581,377	21,742,017,505	30,759,198,863
Financial assets at fair value through other comprehensive income	3,794,496,796	2,114,061,711	7,556,080,705	20,730,420,967	34,195,060,179
Financial assets at amortised cost	4,074,704,199	3,041,926,462	2,338,588,132	137,568,630	9,592,787,423
Derivative financial assets	270,213,242	-	-	-	270,213,242
Other assets	1,322,300,648	-	-	-	1,322,300,648
Total	17,465,232,903	5,585,914,942	11,845,250,214	42,610,007,102	77,506,405,161

	31 December 2024				
	Within 1 year or undated HK$	*More than 1 year but less than 2 years* HK$	*More than 2 years but less than 5 years* HK$	*More than 5years* HK$	*Total* HK$
Assets					
Cash and cash equivalents	923,761,210	-	-	-	923,761,210
Restricted cash	251,861,821	-	-	-	251,861,821
Financial assets at fair value through profit or loss	5,929,372,541	593,376,919	2,487,610,640	24,341,932,699	33,352,292,799
Financial assets at fair value through other comprehensive income	5,609,254,205	2,847,980,289	7,564,393,823	19,797,549,129	35,819,177,446
Financial assets at amortised cost	2,980,319,411	4,276,887,673	4,751,840,266	548,923,626	12,557,970,976
Derivative financial assets	169,983,171	-	-	-	169,983,171
Other assets	875,106,182	-	-	-	875,106,182
Total	16,739,658,541	7,718,244,881	14,803,844,729	44,688,405,454	83,950,153,605

4 Insurance and financial risk management (continued)

	31 December 2025				
	Within 1 year or undated HK$	*More than 1 year but less than 2 years* HK$	*More than 2 years but less than 5 years* HK$	*More than 5 years* HK$	*Total* HK$
Liabilities					
Securities sold under agreements to repurchase	7,701,528,803	-	-	-	7,701,528,803
Derivative financial liabilities	177,133,766	-	-	-	177,133,766
Lease liabilities	1,192,133	-	-	-	1,192,133
Other liabilities	465,910,638	-	-	-	465,910,638
Total	8,345,758,459	-	-	-	8,345,758,459

	31 December 2024				
	Within 1 year or undated HK$	*More than 1 year but less than 2 years* HK$	*More than 2 years but less than 5 years* HK$	*More than 5 years* HK$	*Total* HK$
Liabilities					
Securities sold under agreements to repurchase	8,553,451,725	-	-	-	8,553,451,725
Derivative financial liabilities	472,008,446	-	-	-	472,008,446
Lease liabilities	3,987,765	1,185,252	-	-	5,173,017
Other liabilities	368,457,461	-	-	-	368,457,461
Total	9,397,905,397	1,185,252	-	-	9,399,090,649

4 Insurance and financial risk management (continued)

(b) Insurance

	31 December 2025						
	Within 1 year HK$	*1 to 2 years* HK$	*2 to 3 years* HK$	*3 to 4 years* HK$	*4 to 5 years* HK$	*More than 5 years* HK$	*Total* HK$
Undiscounted remaining net contractual cash flows arising from insurance contract assts	289,423,217	100,745,231	95,493,849	90,501,670	85,754,970	964,322,245	1,626,241,182
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	289,423,217	100,745,231	95,493,849	90,501,670	85,754,970	964,322,245	1,626,241,182
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract assets	2,716,143,353	3,354,926,104	900,606,089	-	-	-	6,971,675,546
Total	3,005,566,570	3,455,671,335	996,099,938	90,501,670	85,754,970	964,322,245	8,597,916,728
Undiscounted remaining net contractual cash flows arising from insurance contract liabilities	14,145,904,555	5,427,904,721	6,107,596,183	16,090,069,310	1,225,506,782	5,755,720,732	48,752,702,283
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	14,145,904,555	5,427,904,721	6,107,596,183	16,090,069,310	1,225,506,782	5,755,720,732	48,752,702,283
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract liabilities	226,974,924	(1,298,915)	4,315,946	-	-	-	229,991,955
Total	14,372,879,479	5,426,605,806	6,111,912,129	16,090,069,310	1,225,506,782	5,755,720,732	48,982,694,238

4 Insurance and financial risk management (continued)

	31 December 2024						
	Within 1 year	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*More than 5 years*	*Total*
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Undiscounted remaining net contractual cash flows arising from insurance contract assts	238,641,554	100,280,694	95,078,657	90,134,149	85,434,429	1,021,467,860	1,631,037,343
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	238,641,554	100,280,694	95,078,657	90,134,149	85,434,429	1,021,467,860	1,631,037,343
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract assets	492,528,799	1,910,038,320	3,172,763,760	1,288,251,801	-	-	6,863,582,680
Total	731,170,353	2,010,319,014	3,267,842,417	1,378,385,950	85,434,429	1,021,467,860	8,494,620,023
Undiscounted remaining net contractual cash flows arising from insurance contract liabilities	23,125,405,676	6,512,327,089	3,415,327,273	1,299,232,914	13,605,530,732	5,827,368,604	53,785,192,288
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	23,125,405,676	6,512,327,089	3,415,327,273	1,299,232,914	13,605,530,732	5,827,368,604	53,785,192,288
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract liabilities	102,809,678	14,521,286	(1,295,674)	4,305,175	-	-	120,340,465
Total	23,228,215,354	6,526,848,375	3,414,031,599	1,303,538,089	13,605,530,732	5,827,368,604	53,905,532,753

5 Capital management

The Company manages its capital to ensure that its reinsurance business will be able to meet statutory solvency requirements in the jurisdiction in which it operates. The Company's initiatives also strive to maintain a surplus for future business expansion opportunities. Relevant capital management framework and plans are built internally to make sure proper management and implementation policies in capital replenishment. The Company's statutory solvency requirements in respect of its long term reinsurance businesses is set out in the Hong Kong Insurance Ordinance. The Company has complied with these externally imposed solvency requirements throughout the current and prior years.

6 Insurance revenue

	2025 HK$	*2024* HK$
Contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised in profit or loss	399,999,049	463,685,855
- Changes in risk adjustment for non-financial risk	13,113,906	20,700,974
- Expected incurred claims and other insurance service expenses	521,747,475	259,607,854
- Experience adjustments for premium receipts	144,560,290	260,023,540
Amortisation of insurance acquisition cash flows	133,812	(35,480,051)
Subtotal of contracts not measured under the PAA	1,079,554,532	968,538,172
Contracts measured under the PAA	-	-
Insurance revenue	1,079,554,532	968,538,172

7 Investment income

	2025 HK$	*2024* HK$
Interest income		
Current and time deposit	36,177,756	62,953,299
Financial assets at fair value through other comprehensive income and amortised costs	1,432,395,318	1,199,854,400
Subtotal	1,468,573,074	1,262,807,699
Other investment income		
Financial assets at fair value through profit or loss	477,357,031	452,994,079
Subtotal	477,357,031	452,994,079
Dividend income		
- Listed equity investments	29,466,188	49,780,059
- Equity perpetual bonds	87,883,854	146,323,942
- Others	29,604,533	22,153,635
Subtotal	146,954,575	218,257,636
Realised gains/(losses)		
Investments in financial assets	530,788,015	(378,613,321)
Derivative instruments	18,661,120	(119,215,112)
Subtotal	549,449,135	(497,828,433)
Unrealised gains		
Financial assets at fair value through profit or loss		
- Debt instruments	239,193,726	323,196,780
- Equity investments	79,054,566	401,102,587
- Investment contract assets	266,625,249	296,020,056
- Others	516,266,903	29,415,426
Subtotal	1,101,140,444	1,049,734,849
Total	3,743,474,259	2,485,965,830

8 Allocation of reinsurance premium paid

	2025 HK$	*2024* HK$
Contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised in profit or loss	(3,933,045)	188,445,227
- Changes in risk adjustment for non-financial risk	(5,112)	(852)
- Expected claims and other expenses recovery	(17,730,596)	(16,360,763)
- Experience adjustments for premium ceded	(1,691)	62,157,336
Subtotal of contracts not measured under the PAA	(21,670,444)	234,240,948
Total allocation of reinsurance premiums paid	(21,670,444)	234,240,948

9 Insurance finance income and expenses

	2025 HK$	*2024* HK$
Finance expenses from reinsurance contracts issued		
Interest on insurance contracts at locked-in rate	(1,208,884,411)	(1,432,444,187)
Changes in interest rates and other financial assumptions	(604,072,532)	(141,190,683)
Exchange losses, net	(49,171,462)	(738,956)
Total finance expenses from reinsurance contracts issued	(1,862,128,405)	(1,574,373,826)
Including:		
Recognised in profit or loss	(1,244,823,395)	(1,433,183,144)
Recognised in other comprehensive income	(617,305,010)	(141,190,682)
Finance income from reinsurance contracts held:		
Interest on reinsurance contracts at locked-in rate	223,418,342	214,813,536
Changes in interest rates and other financial assumptions	(58,559,033)	57,752,614
Exchange gain, net	3,559,465	6,082,881
Total finance income from reinsurance contracts held	168,418,774	278,649,031
Including:		
Recognised in profit or loss	230,870,491	220,896,417
Recognised in other comprehensive income	(62,451,717)	57,752,614

10 Other operating administrative expenses

	2025 HK$	*2024* HK$
Investment management fees	140,779,511	108,508,607
Accounting fee	8,464,245	9,706,574
Interest credited to investment contracts	55,755,514	39,987,852
Total other operating costs	204,999,270	158,203,033
Auditors' remuneration	1,000,108	990,350
Depreciation	803,577	799,273
Depreciation of right-of-use assets	3,778,475	3,518,441
Office rental expenses	895,985	851,908
Salaries, wages and other benefits	34,962,471	25,001,438
Other legal and professional fees	4,327,272	3,852,896
Other administrative expenses	8,802,651	7,070,254
Total administrative expenses	54,570,539	42,084,560
Less: Expenses directly attributed to insurance contracts	(131,349,602)	(135,706,591)
Total other operating costs and administrative expenses	128,220,207	64,581,002

11 Income tax

Taxation in the statement of comprehensive income represents:

	2025 HK$	*2024* HK$
Income tax – current tax:		
Hong Kong Profits tax provision for the year	-	-
Pillar two income tax	92,803,130	-
Total current tax expense	92,803,130	-
Income tax - deferred tax:		
Temporary difference attributable to the loss before tax for the period	87,715,511	93,514,295
Temporary difference attributable to the one-off transaction tax adjustment due to implementation of the Hong Kong Risk-based Capital regime (HKRBC)	43,505,246	-
Total deferred tax expense	131,220,757	93,514,295
Total tax effect to the income statement for the year	224,023,887	93,514,295

11 Income tax (continued)

Hong Kong Profits Tax is calculated at 8.25% of the estimated assessable profits generated from reinsurance business for the year due to the concessionary tax rate for professional reinsurers. The provision of income tax is based on the adjusted profit or loss under HKIO basis.

The Company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development.

From 1 January 2025, the Company is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance for its earnings in the Hong Kong SAR.

The Company has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

Reconciliation between tax charges and accounting profit at applicable tax rates:

	2025 HK$	*2024* HK$
Profit before taxation	1,977,475,708	1,300,705,713
Tax provided on the applicable tax rate (2025 & 2024: 8.25%)	163,141,746	107,308,221
Current tax impact arising from Pillar Two model rules	92,803,130	-
Temporary difference attributable to the one-off transaction tax adjustment due to implementation of the HKRBC Regime	43,505,246	-
Adjustment of current income tax	(75,426,235)	(13,793,926)
Income tax expenses	224,023,887	93,514,295

12 Property and equipment

	Computer equipment HK$	*Office equipment* HK$	*Total* HK$
Cost			
At 1 January 2025	873,845	239,469	1,113,314
Addition	-	13,471	13,471
At 31 December 2025	873,845	252,940	1,126,785
Depreciation			
At 1 January 2025	(713,413)	(157,727)	(871,140)
Charges for the year	(82,308)	(45,926)	(128,234)
At 31 December 2025	(795,721)	(203,653)	(999,374)
Net book values			
At 31 December 2025	78,124	49,287	127,411
Cost			
At 1 January 2024	873,845	239,469	1,113,314
At 31 December 2024	873,845	239,469	1,113,314
Depreciation			
At 1 January 2024	(511,273)	(112,228)	(623,501)
Charges for the year	(202,140)	(45,499)	(247,639)
At 31 December 2024	(713,413)	(157,727)	(871,140)
Net book values			
At 31 December 2024	160,432	81,742	242,174

13 Intangible assets

	Construction in progress HK$	*Software* HK$	*Total* HK$
Cost			
At 1 January 2025	394,492	2,977,177	3,371,669
Additions	214,778	-	214,778
Transfer upon completion	(411,446)	411,446	-
At 31 December 2025	197,824	3,388,623	3,586,447
Accumulated amortisation			
At 1 January 2025	-	(1,316,993)	(1,316,993)
Charges for the year	-	(675,343)	(675,343)
At 31 December 2025	-	(1,992,336)	(1,992,336)
Net book values			
At 31 December 2025	197,824	1,396,287	1,594,111
Cost			
At 1 January 2024	474,538	2,440,348	2,914,886
Additions	446,878	9,905	456,783
Transfer upon completion	(526,924)	526,924	-
At 31 December 2024	394,492	2,977,177	3,371,669
Accumulated amortisation			
At 1 January 2024	-	(765,359)	(765,359)
Charges for the year	-	(551,634)	(551,634)
At 31 December 2024	-	(1,316,993)	(1,316,993)
Net book values			
At 31 December 2024	394,492	1,660,184	2,054,676

The amortisation charge was included in ‘administrative expenses’ in the income statement.

14 Financial instruments

	2025					
Assets	*Measured at fair value through profit or loss* HK$	*Designated at fair value through profit or loss* HK$	*Subtotal* HK$	*Measured at fair value through other comprehensive income* HK$	*Financial assets in amortised costs* HK$	*Total* HK$
Equities[a]						
- Listed	1,844,219,902	-	1,844,219,902	-	-	1,844,219,902
- Fixed income securities	-	-	-	1,489,832,495	-	1,489,832,495
Debt instruments						
- Listed	8,788,997,446	-	8,788,997,446	22,193,372,946	9,023,479,335	40,005,849,727
Funds	4,322,605,783	-	4,322,605,783	-	-	4,322,605,783
Total investment assets	14,955,823,131	-	14,955,823,131	23,683,205,441	9,023,479,335	47,662,507,907

14 Financial instruments (continued)

	2024					
Assets	*Measured at fair value through profit or loss* HK$	*Designated at fair value through profit or loss* HK$	*Subtotal* HK$	*Measured at fair value through other comprehensive income* HK$	*Financial assets in amortised costs* HK$	*Total* HK$
Equities[a]						
- Listed	1,319,649,598	-	1,319,649,598	-	-	1,319,649,598
- Fixed income securities	-	-	-	2,327,094,672	-	2,327,094,672
Debt instruments						
- Listed	10,862,836,319	-	10,862,836,319	22,851,465,592	11,672,510,961	45,386,812,872
Funds	3,910,109,907	-	3,910,109,907	-	-	3,910,109,907
Total investment assets	16,092,595,824	-	16,092,595,824	25,178,560,264	11,672,510,961	52,943,667,049

(a) Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in FVOCI. These are strategic investments and the Company considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

14 Financial instruments (continued)

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Determination of fair value

Fair values are determined according to the following hierarchy:

a. Level 1 - Quoted market price

   Financial instruments with unadjusted quoted prices for identical instruments in active markets that the company can access at the Statement of Financial Position date.

b. Level 2 -Valuation technique using observable inputs

   Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

c. Level 3 - Valuation technique with significant unobservable inputs

   Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

   The best evidence of fair value is a quoted price in an actively traded market. The fair value of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities used. Where a financial instrument has a quoted price in an active market and it is part of a portfolio, the fair value of the portfolio is calculated as the product of the number of units and quoted price.

   The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as magnitude and the frequency of trading activity, the availability of prices and the size of bid/offer spreads.

   Valuation techniques incorporate assumptions about factors that other market participants would use in their valuations, including interest rate yield curves exchange rates and volatilities. In the event that the market for a financial instrument is not active, a valuation technique is used.

   The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the derivation of fair value is more judgmental. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

14 Financial instruments (continued)

Analysis of fair value determination

The following table provides an analysis of the basis for the valuation of financial assets (excluded insurance, reinsurance and other receivables) and financial liabilities carried at fair value.

At 31 December 2025

	Fair value measurements categorised into			
	Level 1 HK$	*Level 2* HK$	*Level 3* HK$	*Total* HK$
Recurring fair value measurement				
Financial assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	14,955,823,131	-	-	14,955,823,131
Financial assets designated at fair value through other comprehensive income	23,683,205,441	-	-	23,683,205,441
Derivative financial assets	-	270,213,242	-	270,213,242
Financial liability				
Derivative financial liabilities	-	(177,133,766)	-	(177,133,766)

At 31 December 2024

	Fair value measurements categorised into			
	Level 1 HK$	*Level 2* HK$	*Level 3* HK$	*Total* HK$
Recurring fair value measurement				
Financial assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	16,092,595,824	-	-	16,092,595,824
Financial assets designated at fair value through other comprehensive income	25,178,560,264	-	-	25,178,560,264
Derivative financial assets	-	169,983,171	-	169,983,171
Financial liability				
Derivative financial liabilities	-	(472,008,446)	-	(472,008,446)

15 Cash and cash equivalents

	2025	*2024*
	HK$	HK$
Cash at bank and on hand	1,054,194,440	923,761,210
Less: Expected credit loss	(645,157)	-
Cash and cash equivalents in the statement of financial position	1,053,549,283	923,761,210

16 Restricted cash

As at 31 December 2025, the Restricted cash of HK$313,295,523 (31 December 2024: HK$251,861,821) were restricted from use within 3 months, which are comprises deposits held at banks as collateral of margin deposits for investment purposes.

17 Reinsurance contracts and reinsurance contracts held

(a) Disclosure statement of changes in reinsurance contract assets and liabilities

2025	*Reinsurance contracts issued - Life and health*			
	Contracts not measured under the PAA			
	Liability for remaining coverage		*Liability for incurred claims*	*Total*
	Excluding loss components	*Loss components*		
From January 2025 to December 2025				
Reinsurance contract liabilities at the beginning of the year	38,549,753,519	853,949,007	8,909,880,317	48,313,582,843
Reinsurance contract assets at the beginning of the year	(468,901,932)	13,916,907	413,816,560	(41,168,465)
Net reinsurance contract liabilities/assets at the beginning of the year	38,080,851,587	867,865,914	9,323,696,877	48,272,414,378
Contracts under modified retrospective approach at the transition date	-	-	-	-
Contracts under fair value approach at the transition date	-	-	-	-
Other contracts	(1,079,554,532)	-	-	(1,079,554,532)
Insurance revenue	(1,079,554,532)	-	-	(1,079,554,532)
Incurred claims and other insurance service expenses, excluding insurance acquisition cash flows	-	(163,887,083)	484,223,390	320,336,307
Amortisation of insurance acquisition cash flows	133,812	-	-	133,812
Recognition and reversals of losses on onerous contracts	-	320,117,309	-	320,117,309
Changes in fulfilment cash flows relating to the lability for incurred claims	-	-	441,146,201	441,146,201
Other expenses	-	-	-	-
Insurance service expenses	133,812	156,230,226	925,369,591	1,081,733,629
Insurance service result	(1,079,420,720)	156,230,226	925,369,591	2,179,097
Financial changes in reinsurance contracts	1,819,115,836	43,012,569	-	1,862,128,405
Including: Amounts recognised in profit or loss	1,226,269,689	18,553,706	-	1,244,823,395
Amounts recognised in other comprehensive income	592,846,147	24,458,863	-	617,305,010
Other changes in profit or loss	295,644,037	3,148,050	228,477,578	527,269,665
Total changes in the statement of profit or loss and other comprehensive income	1,035,339,153	202,390,845	1,153,847,169	2,391,577,167
Investment components	(12,093,742,209)	-	12,093,742,209	-
Premiums received	6,415,825,958	-	-	6,415,825,958
Insurance acquisition cash flows paid	(6,539,023)	-	-	(6,539,023)
Claims and other insurance service expenses paid, including investment components	-	-	(13,594,035,623)	(13,594,035,623)
Other cash flows	-	-	-	-
Total cash flows	6,409,286,935	-	(13,594,035,623)	(7,184,748,688)
Other changes	-	-	-	-
Net liabilities/assets of reinsurance contract at the end of the year	33,431,735,467	1,070,256,758	8,977,250,632	43,479,242,857
Reinsurance contract assets at the end of the year	(1,293,623,872)	-	1,211,449,464	(82,174,408)
Reinsurance contract liabilities at the end of the year	34,725,359,339	1,070,256,758	7,765,801,168	43,561,417,265

17 Reinsurance contracts and reinsurance contracts held (continued)

2024	*Reinsurance contracts issued - Life and health*			
	Contracts not measured under the PAA			
	Liability for remaining coverage		*Liability for incurred claims*	*Total*
	Excluding loss components	*Loss components*		
From January 2024 to December 2024				
Reinsurance contract liabilities at the beginning of the year	42,577,203,187	1,135,739,600	2,527,195,728	46,240,138,515
Reinsurance contract assets at the beginning of the year	(510,506,194)	-	442,851,220	(67,654,974)
Net reinsurance contract liabilities/assets at the beginning of the year	42,066,696,993	1,135,739,600	2,970,046,948	46,172,483,541
Contracts under modified retrospective approach at the transition date	-	-	-	-
Contracts under fair value approach at the transition date	-	-	-	-
Other contracts	(968,538,172)	-	-	(968,538,172)
Insurance revenue	(968,538,172)	-	-	(968,538,172)
Incurred claims and other insurance service expenses, excluding insurance acquisition cash flows	-	(302,042,763)	1,050,088,322	748,045,559
Amortisation of insurance acquisition cash flows	(35,480,051)	-	-	(35,480,051)
Recognition and reversals of losses on onerous contracts	-	(7,685,726)	-	(7,685,726)
Changes in fulfilment cash flows relating to the lability for incurred claims	-	-	175,066	175,066
Other expenses	-	-	-	-
Insurance service expenses	(35,480,051)	(309,728,489)	1,050,263,388	705,054,848
Insurance service result	(1,004,018,223)	(309,728,489)	1,050,263,388	(263,483,324)
Financial changes in reinsurance contracts	1,526,204,852	48,168,974	-	1,574,373,826
Including: Amounts recognised in profit or loss	1,413,551,830	19,631,314	-	1,433,183,144
Amounts recognised in other comprehensive income	112,653,022	28,537,660	-	141,190,682
Other changes in profit or loss	(390,007,953)	(6,314,171)	(133,943,840)	(530,265,964)
Total changes in the statement of profit or loss and other comprehensive income	132,178,676	(267,873,686)	916,319,548	780,624,538
Investment components	(13,569,291,758)	-	13,569,291,758	-
Premiums received	9,457,237,049	-	-	9,457,237,049
Insurance acquisition cash flows paid	(5,969,373)	-	-	(5,969,373)
Claims and other insurance service expenses paid, including investment components	-	-	(8,131,961,377)	(8,131,961,377)
Other cash flows	-	-	-	-
Total cash flows	9,451,267,676	-	(8,131,961,377)	1,319,306,299
Other changes	-	-	-	-
Net liabilities/assets of reinsurance contract at the end of the year	38,080,851,587	867,865,914	9,323,696,877	48,272,414,378
Reinsurance contract assets at the end of the year	(468,901,932)	13,916,907	413,816,560	(41,168,465)
Reinsurance contract liabilities at the end of the year	38,549,753,519	853,949,007	8,909,880,317	48,313,582,843

17 Reinsurance contracts and reinsurance contracts held (continued)

2025	*Reinsurance contracts held - Life and health*			
	Contracts not measured under the PAA			
	Reinsurance recovery of the asset for remaining coverage			
	Excluding loss-recovery component	*Loss-recovery component*	*Reinsurance recovery of the asset for incurred claims*	*Total*
From January 2025 to December 2025				
Ceded reinsurance contract assets at the beginning of the year	6,037,308,167	-	70,609,336	6,107,917,503
Ceded reinsurance contract Inabilities at the beginning of the year	(14,785,187)	-	6,622,163	(8,163,024)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	6,022,522,980	-	77,231,499	6,099,754,479
Allocation of reinsurance premiums paid	(21,670,444)	-	-	(21,670,444)
Recovery of claims and other insurance service expenses incurred in the period	-	-	32,179,733	32,179,733
Recognition and reversals of losses on onerous contracts	-	-	-	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Changes in non-performance risk of reinsurers	41,911	-	(48,506)	(6,595)
Other recovery expenses	-	-	-	-
Amounts recovered from reinsurance contracts	41,911	-	32,131,227	32,173,138
Insurance profit or loss on ceded reinsurance contracts	(21,628,533)	-	32,131,227	10,502,694
Financial changes in insurance contracts for ceded reinsurance contracts	168,418,774	-	-	168,418,774
Including: Amounts recognised in profit or loss	230,870,491	-	-	230,870,491
Amounts recognised in other comprehensive income	(62,451,717)	-	-	(62,451,717)
Other changes in profit or loss	123,209,297	-	4,479,386	127,688,683
Total changes in the statement of profit or loss and other comprehensive income	269,999,538	-	36,610,613	306,610,151
Investment components	(774,085,494)	-	774,085,494	-
Reinsurance premium paid	1,115,519,640	-	-	1,115,519,640
Claims and other insurance service expenses paid, including investment components	-	-	(21,996,739)	(21,996,739)
Other cash flows	(998,725,746)	-	-	(998,725,746)
Total cash flows	116,793,894	-	(21,996,739)	94,797,155
Other changes	-	-	-	-
Net assets/Inabilities of ceded reinsurance contract at the end of the year	5,635,230,917	-	865,930,868	6,501,161,785
Ceded reinsurance contract assets at the end of the year	5,866,059,238	-	750,298,373	6,616,357,611
Ceded reinsurance contract liabilities at the end of the year	(230,828,321)	-	115,632,495	(115,195,826)

17 Reinsurance contracts and reinsurance contracts held (continued)

2024	*Reinsurance contracts held - Life and health*			
	Contracts not measured under the PAA			
	Reinsurance recovery of the asset for remaining coverage			
From January 2024 to December 2024	*Excluding loss-recovery component*	*Loss-recovery component*	*Reinsurance recovery of the asset for incurred claims*	*Total*
Ceded reinsurance contract assets at the beginning of the year	8,340,670,793	-	75,437,796	8,416,108,589
Ceded reinsurance contract Inabilities at the beginning of the year	(3,481)	-	-	(3,481)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	8,340,667,312	-	75,437,796	8,416,105,108
Allocation of reinsurance premiums paid	234,240,948	-	-	234,240,948
Recovery of claims and other insurance service expenses incurred in the period	-	-	15,716,812	15,716,812
Recognition and reversals of losses on onerous contracts	-	-	-	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Changes in non-performance risk of reinsurers	368,373	-	(2,931)	365,442
Other recovery expenses	-	-	-	-
Amounts recovered from reinsurance contracts	368,373	-	15,713,881	16,082,254
Insurance profit or loss on ceded reinsurance contracts	234,609,321	-	15,713,881	250,323,202
Financial changes in insurance contracts for ceded reinsurance contracts	278,649,031	-	-	278,649,031
Including: Amounts recognised in profit or loss	220,896,417	-	-	220,896,417
Amounts recognised in other comprehensive income	57,752,614	-	-	57,752,614
Other changes in profit or loss	(127,867,402)	-	(20,492,736)	(148,360,138)
Total changes in the statement of profit or loss and other comprehensive income	385,390,950	-	(4,778,855)	380,612,095
Investment components	(3,732,495,399)	-	3,732,495,399	-
Reinsurance premium paid	1,028,960,117	-	-	1,028,960,117
Claims and other insurance service expenses paid, including investment components	-	-	(3,725,922,841)	(3,725,922,841)
Other cash flows	-	-	-	-
Total cash flows	1,028,960,117	-	(3,725,922,841)	(2,696,962,724)
Other changes	-	-	-	-
Net assets/Inabilities of ceded reinsurance contract at the end of the year	6,022,522,980	-	77,231,499	6,099,754,479
Ceded reinsurance contract assets at the end of the year	6,037,308,167	-	70,609,336	6,107,917,503
Ceded reinsurance contract liabilities at the end of the year	(14,785,187)	-	6,622,163	(8,163,024)

17 Reinsurance contracts and reinsurance contracts held (continued)

(b) Analysis of the measurement components of reinsurance contracts not measured under the PAA

2025	*Reinsurance contracts issued - Life and health*			
	Contracts not measured under the PAA			
	Present value of future cash flows	*Risk adjustment for non-financial risk*	*CSM*	*Total*
From January 2025 to December 2025				
Reinsurance contract liabilities at the beginning of the year	47,048,659,901	49,516,516	1,215,406,426	48,313,582,843
Reinsurance contract assets at the beginning of the year	(1,358,358,148)	97,039,195	1,220,150,488	(41,168,465)
Net liabilities/assets of reinsurance contract at the beginning of the year	45,690,301,753	146,555,711	2,435,556,914	48,272,414,378
Amortisation of CSM	-	-	(399,999,049)	(399,999,049)
Changes in the risk adjustment for non-financial risk	-	(2,345,829)	-	(2,345,829)
Experience adjustments	(114,199,159)	-	-	(114,199,159)
Changes that relate to current services	(114,199,159)	(2,345,829)	(399,999,049)	(516,544,037)
Effect of insurance contracts initially recognised in the period	140,729,270	9,409,801	126,940,930	277,080,001
Changes in estimates that adjust the CSM	93,245,295	(13,471,482)	(79,773,813)	-
Changes in estimates that do not adjust the CSM	42,721,670	315,638	-	43,037,308
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	276,696,235	(3,746,043)	47,167,117	320,117,309
Changes in fulfilment cash flows relating to the liability for incurred claims	419,008,322	22,137,879	-	441,146,201
Other changes that relate to past services	(242,540,376)	-	-	(242,540,376)
Changes that relate to past services	176,467,946	22,137,879	-	198,605,825
Insurance service result	338,965,022	16,046,007	(352,831,932)	2,179,097
Financial changes in reinsurance contracts	1,731,727,927	2,796,168	127,604,310	1,862,128,405
Including: Amounts recognised in profit or loss	1,110,617,222	6,601,863	127,604,310	1,244,823,395
Amounts recognised in other comprehensive income	621,110,705	(3,805,695)	-	617,305,010
Other changes in profit or loss	486,814,447	3,431,549	37,023,669	527,269,665
Total changes in the statement of profit or loss and other comprehensive Income	2,557,507,396	22,273,724	(188,203,953)	2,391,577,167
Premiums received	6,415,825,958	-	-	6,415,825,958
Insurance acquisition cash flows paid	(6,539,023)	-	-	(6,539,023)
Claims and other insurance service expenses paid, including investment components	(13,594,035,623)	-	-	(13,594,035,623)
Other cash flows	-	-	-	-
Total cash flows	(7,184,748,688)	-	-	(7,184,748,688)
Other changes	-	-	-	-
Net liabilities/assets of reinsurance contract at the end of the year	41,063,060,461	168,829,435	2,247,352,961	43,479,242,857
Reinsurance contract assets at the end of the year	(1,372,025,671)	115,669,659	1,174,181,604	(82,174,408)
Reinsurance contract liabilities at the end of the year	42,435,086,132	53,159,776	1,073,171,357	43,561,417,265

17 Reinsurance contracts and reinsurance contracts held (continued)

2024	*Reinsurance contracts issued - Life and health*			
	Contracts not measured under the PAA			
From January 2024 to December 2024	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*CSM*	*Total*
Reinsurance contract liabilities at the beginning of the year	44,783,718,504	56,927,468	1,399,492,543	46,240,138,515
Reinsurance contract assets at the beginning of the year	(1,482,883,133)	112,573,555	1,302,654,604	(67,654,974)
Net liabilities/assets of reinsurance contract at the beginning of the year	43,300,835,371	169,501,023	2,702,147,147	46,172,483,541
Amortisation of CSM	-	-	(463,685,855)	(463,685,855)
Changes in the risk adjustment for non-financial risk	-	(20,844,109)	-	(20,844,109)
Experience adjustments	224,428,594	-	-	224,428,594
Changes that relate to current services	224,428,594	(20,844,109)	(463,685,855)	(260,101,370)
Effect of insurance contracts initially recognised in the period	(70,596,969)	15,139,328	230,084,327	174,626,686
Changes in estimates that adjust the CSM	113,701,595	(19,396,623)	(94,304,972)	-
Changes in estimates that do not adjust the CSM	(182,435,005)	122,593	-	(182,312,412)
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	(139,330,379)	(4,134,702)	135,779,355	(7,685,726)
Changes in fulfilment cash flows relating to the liability for incurred claims	174,586	480	-	175,066
Other changes that relate to past services	4,128,706	-	-	4,128,706
Changes that relate to past services	4,303,292	480	-	4,303,772
Insurance service result	89,401,507	(24,978,331)	(327,906,500)	(263,483,324)
Financial changes in reinsurance contracts	1,470,659,498	4,961,691	98,752,637	1,574,373,826
Including: Amounts recognised in profit or loss	1,329,026,627	5,403,880	98,752,637	1,433,183,144
Amounts recognised in other comprehensive income	141,632,871	(442,189)	-	141,190,682
Other changes in profit or loss	(489,900,922)	(2,928,672)	(37,436,370)	(530,265,964)
Total changes in the statement of profit or loss and other comprehensive Income	1,070,160,083	(22,945,312)	(266,590,233)	780,624,538
Premiums received	9,457,237,049	-	-	9,457,237,049
Insurance acquisition cash flows paid	(5,969,373)	-	-	(5,969,373)
Claims and other insurance service expenses paid, including investment components	(8,131,961,377)	-	-	(8,131,961,377)
Other cash flows	-	-	-	-
Total cash flows	1,319,306,299	-	-	1,319,306,299
Other changes	-	-	-	-
Net liabilities/assets of reinsurance contract at the end of the year	45,690,301,753	146,555,711	2,435,556,914	48,272,414,378
Reinsurance contract assets at the end of the year	(1,358,358,148)	97,039,195	1,220,150,488	(41,168,465)
Reinsurance contract liabilities at the end of the year	47,048,659,901	49,516,516	1,215,406,426	48,313,582,843

17 Reinsurance contracts and reinsurance contracts held (continued)

2025	*Reinsurance contracts held - Life and health*			
	Contracts not measured under the PAA			
From January 2025 to December 2025	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*CSM*	*Total*
Ceded reinsurance contract assets at the beginning of the year	6,529,024,872	99,309	(421,206,678)	6,107,917,503
Ceded reinsurance contract Inabilities at the beginning of the year	(112,192,124)	35,092	103,994,008	(8,163,024)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	6,416,832,748	134,401	(317,212,670)	6,099,754,479
Amortisation of CSM	-	-	(3,933,045)	(3,933,045)
Changes in the risk adjustment for non-financial risk	-	371,112	-	371,112
Experience adjustments	14,071,222	-	-	14,071,222
Changes that relate to current services	14,071,222	371,112	(3,933,045)	10,509,289
Effect of ceded reinsurance contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the CSM	(237,188,691)	(71,410)	237,260,101	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Recognition and reversals of losses on onerous contracts	-	-	-	-
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	(237,188,691)	(71,410)	237,260,101	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Other changes that relate to past services	-	-	-	-
Changes that relate to past services	-	-	-	-
Changes in non-performance risk of reinsurers	(6,595)	-	-	(6,595)
Insurance profit or loss on ceded reinsurance contracts	(223,124,064)	299,702	233,327,056	10,502,694
Financial changes in insurance contracts for ceded reinsurance contracts	170,265,097	1,519	(1,847,842)	168,418,774
Including: Amounts recognised in profit or loss	232,715,582	2,751	(1,847,842)	230,870,491
Amounts recognised in other comprehensive income	(62,450,485)	(1,232)	-	(62,451,717)
Other changes in profit or loss	133,701,985	1,717	(6,015,019)	127,688,683
Total changes in the statement of profit or loss and other comprehensive income	80,843,018	302,938	225,464,195	306,610,151
Reinsurance premium paid	1,115,519,640	-	-	1,115,519,640
Claims and other insurance service expenses paid, including investment components	(21,996,739)	-	-	(21,996,739)
Other cash flows	(998,725,746)	-	-	(998,725,746)
Total cash flows	94,797,155	-	-	94,797,155
Other changes	-	-	-	-
Net assets/liabilities of ceded reinsurance contract at the end of the year	6,592,472,920	437,339	(91,748,474)	6,501,161,785
Ceded reinsurance contract assets at the end of the year	6,816,139,955	41,665	(199,824,009)	6,616,357,611
Ceded reinsurance contract liabilities at the end of the year	(223,667,035)	395,674	108,075,535	(115,195,826)

17 Reinsurance contracts and reinsurance contracts held (continued)

2024	*Reinsurance contracts held - Life and health*			
	Contracts not measured under the PAA			
	Present value of future cash flows	*Risk adjustment for non-financial risk*	*CSM*	*Total*
From January 2024 to December 2024				
Ceded reinsurance contract assets at the beginning of the year	9,018,943,811	198,134	(603,033,356)	8,416,108,589
Ceded reinsurance contract Inabilities at the beginning of the year	(3,481)	-	-	(3,481)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	9,018,940,330	198,134	(603,033,356)	8,416,105,108
Amortisation of CSM	-	-	188,445,227	188,445,227
Changes in the risk adjustment for non-financial risk	-	(34,005)	-	(34,005)
Experience adjustments	61,547,027	-	-	61,547,027
Changes that relate to current services	61,547,027	(34,005)	188,445,227	249,958,249
Effect of ceded reinsurance contracts initially recognised in the period	13,110,025	12	(13,110,037)	-
Changes in estimates that adjust the CSM	(115,664,413)	(30,267)	115,694,680	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Recognition and reversals of losses on onerous contracts	-	-	-	-
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	(102,554,388)	(30,255)	102,584,643	-
Changes in fulflment cash flows that relate to the asset for incurred claims	-	-	-	-
Other changes that relate to past services	(489)	-	-	(489)
Changes that relate to past services	(489)	-	-	(489)
Changes in non-performance risk of reinsurers	365,442	-	-	365,442
Insurance profit or loss on ceded reinsurance contracts	(40,642,408)	(64,260)	291,029,870	250,323,202
Financial changes in insurance contracts for ceded reinsurance contracts	292,486,982	3,449	(13,841,400)	278,649,031
Including: Amounts recognised in profit or loss	234,734,386	3,431	(13,841,400)	220,896,417
Amounts recognised in other comprehensive income	57,752,596	18	-	57,752,614
Other changes in profit or loss	(156,989,432)	(2,922)	8,632,216	(148,360,138)
Total changes in the statement of profit or loss and other comprehensive income	94,855,142	(63,733)	285,820,686	380,612,095
Reinsurance premium paid	1,028,960,117	-	-	1,028,960,117
Claims and other insurance service expenses paid, including investment components	(3,725,922,841)	-	-	(3,725,922,841)
Other cash flows	-	-	-	-
Total cash flows	(2,696,962,724)	-	-	(2,696,962,724)
Other changes	-	-	-	-
Net assets/liabilities of ceded reinsurance contract at the end of the year	6,416,832,748	134,401	(317,212,670)	6,099,754,479
Ceded reinsurance contract assets at the end of the year	6,529,024,872	99,309	(421,206,678)	6,107,917,503
Ceded reinsurance contract liabilities at the end of the year	(112,192,124)	35,092	103,994,008	(8,163,024)

17 Reinsurance contracts and reinsurance contracts held (continued)

(c) Effect of contracts initially recognised in the year

Reinsurance contracts issued

	Life and health reinsurance		
	Insurance contracts initially recognised in the period		*Total*
	Profitable contracts	*Onerous contracts*	
From January 2025 to December 2025			
Estimates of present value ("PV") of future cash outflows - Insurance acquisition cash flows	18,148	4,887,163	4,905,311
Estimates of PV of future cash outflows - other	1,949,454,331	5,031,694,039	6,981,148,370
Estimates of PV of future cash outflows - Subtotal	1,949,472,479	5,036,581,202	6,986,053,681
Estimates of PV of future cash inflows	(2,084,371,738)	(4,760,952,673)	(6,845,324,411)
Risk adjustment for non-financial risk	7,958,329	1,451,472	9,409,801
CSM	126,940,930	-	126,940,930
Effect of contracts initially recognised in the year	-	277,080,001	277,080,001

	Life and health reinsurance		
	Insurance contracts initially recognised in the period		*Total*
	Profitable contracts	*Onerous contracts*	
From January 2024 to December 2024			
Estimates of present value ("PV") of future cash outflows - Insurance acquisition cash flows	5,106	682,831	687,937
Estimates of PV of future cash outflows - other	15,045,600,743	5,170,955,436	20,216,556,179
Estimates of PV of future cash outflows - Subtotal	15,045,605,849	5,171,638,267	20,217,244,116
Estimates of PV of future cash inflows	(15,280,875,373)	(5,006,965,712)	(20,287,841,085)
Risk adjustment for non-financial risk	5,185,197	9,954,131	15,139,328
CSM	230,084,327	-	230,084,327
Effect of contracts initially recognised in the year	-	174,626,686	174,626,686

17 Reinsurance contracts and reinsurance contracts held (continued)

Reinsurance contracts held

	Life and health reinsurance		
	Ceded reinsurance contracts		*Total*
	Net gain	*Net cost*	
From January 2025 to December 2025			
Estimates of PV of future cash inflows	-	-	-
Estimates of PV of future cash outflows	-	-	-
Risk adjustment for non-financial risk	-	-	-
CSM	-	-	-
Effect of contracts initially recognised in the year	-	-	-

	Life and health reinsurance		
	Ceded reinsurance contracts		*Total*
	Net gain	*Net cost*	
From January 2024 to December 2024			
Estimates of PV of future cash inflows	1,063,899,900	964,329,268	2,028,229,168
Estimates of PV of future cash outflows	(1,036,577,653)	(978,541,490)	(2,015,119,143)
Risk adjustment for non-financial risk	12	-	12
CSM	(27,322,259)	14,212,222	(13,110,037)
Effect of contracts initially recognised in the year	-	-	-

18 Contractual service margin (CSM)

Reinsurance contracts issued

	Life and health reinsurance	
	31 December 2025 HK$	*31 December 2024* HK$
Within 1 year	318,094,532	340,259,441
1 to 3 years	515,014,088	540,044,614
3 to 5 years	272,564,617	367,086,211
5 to 10 years	453,854,565	462,495,957
Over 10 years	687,825,159	725,670,691
Total	2,247,352,961	2,435,556,914

18 Contractual service margin (CSM) (continued)

Reinsurance contracts held

	Life and health reinsurance	
	31 December 2025 HK$	*31 December 2024* HK$
Within 1 year	76,944,826	154,797,905
1 to 3 years	14,803,648	161,843,769
3 to 5 years	-	570,996
5 to 10 years	-	-
Over 10 years	-	-
Total	91,748,474	317,212,670

19 Deferred tax assets/liabilities

	Balance 2024 HK$	*Credited to profit or loss 2025* HK$	*Credited to other comprehensive income 2025* HK$	*Balance 2025* HK$
Comprises temporary differences attributable to:				
Tax losses	172,217,530	(87,715,511)	-	84,502,019
Premiums and reserves	(116,161,430)	-	56,079,930	(60,081,500)
Unrealised loss of financial assets at FVOCI	42,141,118	-	(42,141,118)	-
One-off transaction tax adjustment due to implementation of the HKRBC Regime	-	(43,505,246)	-	(43,505,246)
	98,197,218	(131,220,757)	13,938,812	(19,084,727)

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Company has unused income tax losses carried forward in Hong Kong which can be carried forward indefinitely.

20 Other assets

	2025 HK$	*2024* HK$
Subscription prepayment and clearance receivables	54,348,536	140,870,090
Dividend receivables	6,822,539	784,624
Investment contract receivables	1,261,524,158	733,197,890
Others	146,233	253,578
Less: Expected credit loss	(540,818)	-
	1,322,300,648	875,106,182

21 Investment contract liabilities

	2025 HK$	*2024* HK$
Investment contracts at amortised cost	1,091,516,527	1,057,640,327

The movement is the liabilities arising from investment contracts are summarized below:

	2025 HK$	*2024* HK$
At beginning of year	1,057,640,327	1,097,198,480
Addition/decrease	(645,763)	(83,128,960)
Fees deducted	(15,593,197)	(5,559,703)
Interest credited	55,755,514	39,987,852
Others	(5,640,354)	9,142,658
	1,091,516,527	1,057,640,327

22 Lease

The Statement of Financial Position shows the following amounts relating to leases:

	2025 HK$	*2024* HK$
Right-of-use assets:		
- Building	944,619	4,723,094
Lease liabilities		
- Current	1,192,133	3,808,098
- Non-current	-	1,173,221
	1,192,133	4,981,319

The Statement of Profit or Loss shows the following amounts relating to leases:

	2025 HK$	*2024* HK$
Depreciation charge of right-of-use assets (included in other operating expense)	3,778,475	3,518,441
Interest expense on lease liabilities	198,579	361,518

The total cash outflow for leases in 2025 was HK$3,987,765 (2024: HK$3,766,223).

23 Derivative financial instrument

Derivative financial instruments are mainly for the company to hedge in the foreign exchange market. The Company actively manage foreign exchange risk through hedging with external counterparties and ensure that the net risk taken by the Company is within the acceptable risk level.

Derivative financial instruments, except for those designated as effective hedging instruments are classified as held for trading purposes. Financial derivatives classified as held for trading purposes include derivatives used for trading purposes as well as used for risk management purposes but does not meet the hedging accounting applicable requirements.

The contract notional amount and fair value of derivative financial instruments is as follows. The contract notional amount of derivative financial instruments is only the basis of comparing fair value of assets or liabilities recognised in balance sheet. It does not reflect the future cash flow or present fair value, therefore cannot reflect the risk faced by the Company.

	31 December 2025		
	Nominal amount	*Assets*	*Liabilities*
Currency swap	24,913,463,543	270,213,242	(177,133,766)

	31 December 2024		
	Nominal amount	*Assets*	*Liabilities*
Currency swap	22,735,708,701	169,983,171	(472,008,446)

24 Share capital

	Number of shares	*Share capital* HK$
Ordinary shares:		
Issued:		
Balance at 1 January 2024, 31 December 2024 and 31 December 2025	2,000,000,000	4,000,000,000
Total shares:		
Balance at 31 December 2024 and 31 December 2025	2,000,000,000	4,000,000,000

Ordinary shares have no par value.

25 Securities sold under agreements to repurchase and other financial liabilities

(a) Securities sold under agreements to repurchase

	2025 HK$	*2024* HK$
Securities sold under agreements to repurchase	7,701,528,803	8,553,451,725

The Company enters into Global Master Repurchase Agreements with several financial institutions to be able to enter into repurchase transactions (agreements to sell securities and repurchase them at a pre-defined price and on a pre-defined date, with a fee).

(b) Other financial liabilities

	2025 HK$	*2024* HK$
Accrued salaries	15,104,428	7,281,925
Interest payables on sell and repurchase financial assets	152,756,154	111,762,746
Investment management fee and custody fee payables	125,282,039	83,265,764
Subscription payables and clearance payables	59,628,772	129,994,605
Others	113,139,245	36,152,421
Total	465,910,638	368,457,461

The policyholders' deposits and accruals and other payables are subsequently measured at amortised cost using the effective interest method. The directors consider the carrying values of the above items approximately equal to their fair values.

26 Directors' emoluments

As disclosures required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), the aggregate emoluments paid or receivable by directors in respect of their services as directors for the current year amounted to HK$747,945 (2024:HK$600,000). The aggregate emoluments paid or receivable in respect of their services in connection with the management amounted to HK$1,924,303 (2024: HK$1,956,890). There are no retirement benefits paid or receivables by directors for the current year (2024: nil).

Aggregated and unapportioned amount of top three highest paid directors emoluments is HK$2,282,659 (2024:HK$2,556,890). During the current period, there was no amount (2024: nil) of compensation paid for loss of office.

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

27 Related party transactions

The following transactions were carried out with related parties during the year:

	2025			
	Intermediate holding company HK$	*Branch of ultimate holding company* HK$	*Ultimate holding company* HK$	*Fellow subsidiary company* HK$
Business ceded by related companies				
- Insurance revenue	1,023,718,053	(3,504,908)	-	-
- Allocation of reinsurance premium paid	(34,283,634)	-	-	-
- Finance expenses from insurance contracts issued	(921,398,947)	384,346	-	-
- Amounts recovered from reinsurance contracts held	15,226,730	-	-	-
- Finance income from reinsurance contracts held	127,028,932	-	-	-
Investment contract expenses	(42,575,244)	-	-	-
Investment management fee expenses	-	-	-	(88,406,034)
Services fees	(274,755)	-	-	(7,471,476)
Other income	-	-	-	143,700

	2024			
	Intermediate holding company HK$	*Branch of ultimate holding company* HK$	*Ultimate holding company* HK$	*Fellow subsidiary company* HK$
Business ceded by related companies				
- Insurance revenue	1,110,160,858	(166,933,751)	-	-
- Allocation of reinsurance premium paid	161,855,245	-	-	-
- Finance expenses from insurance contracts issued	(1,042,741,798)	(16,902,525)	-	-
- Amounts recovered from reinsurance contracts held	1,581,064	-	-	-
- Finance income from reinsurance contracts held	137,220,041	-	-	-
Investment contract expenses	(36,741,476)	-	-	-
Investment management fee expenses	-	-	-	(57,741,204)
Services fees	-	-	(270,695)	(8,344,481)
Other income	-	-	-	143,700

	2025			
	Intermediate holding company HK$	*Branch of ultimate holding company* HK$	*Ultimate holding company* HK$	*Fellow subsidiary company* HK$
Insurance contract assets	81,981,398	-	-	-
Ceded reinsurance contract assets	4,246,095,193	-	-	-
Insurance contract liabilities	(29,796,196,610)	(218)	-	-
Ceded reinsurance contract liabilities	(115,190,129)	-	-	-
Investment contract liabilities	(1,074,919,313)	-	-	-
Investment management fee payable	-	-	-	(74,079,023)
Other receivables	-	-	-	143,700

27 Related party transactions (continued)

	2024			
	Intermediate holding company HK$	*Branch of ultimate holding company* HK$	*Ultimate holding company* HK$	*Fellow subsidiary company* HK$
Insurance contract assets	39,328,774	-	-	-
Ceded reinsurance contract assets	3,893,060,105	-	-	-
Insurance contract liabilities	(31,535,984,785)	(328,178,158)	-	-
Ceded reinsurance contract liabilities	(8,159,140)	-	-	-
Investment contract liabilities	(1,032,344,069)	-	-	-
Investment management fee payable	-	-	-	(48,375,852)
Other receivables	-	-	-	143,700

28 Immediate and ultimate holding company

The immediate parent company and the ultimate parent company are China Life Reinsurance Company Limited and China Reinsurance (Group) Corporation respectively.

China Reinsurance (Group) Corporation is ultimately controlled by the Ministry of Finance of the PRC through Central Huijin Investment Limited.

29 Events after the reporting period

The Company does not have significant events after the reporting period that needs to be disclosed.

30 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.