

CHONG HING INSURANCE COMPANY LIMITED
創興保險有限公司
(Incorporated in Hong Kong with limited liability)

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

CHONG HING INSURANCE COMPANY LIMITED
創興保險有限公司

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CHONG HING INSURANCE COMPANY LIMITED
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DIRECTORS' REPORT

The directors of Chong Hing Insurance Company Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2025 of the Company.

Principal activities

The principal activity of the Company is the underwriting of general insurance business.

The Company was incorporated in Hong Kong in 1960 and has become a wholly-owned subsidiary of Chong Hing Bank Limited since 2005. The Company provides a wide range of insurance products to meet customers' various personal or business needs, including fire insurance, home insurance, travel insurance, domestic helper insurance and commercial insurance. The Company is an authorized insurer supervised by the Insurance Authority of Hong Kong.

Results and dividends

The results of the Company for the year ended 31 December 2025 are set out in the statement of profit or loss and other comprehensive income on page 8.

No interim dividend was paid to the sole shareholder of the Company during the year (2024: Nil). The directors of the Company do not recommend the payment of a final dividend (2024: Nil).

Business Review

The Company is a direct wholly-owned subsidiary of Chong Hing Bank Limited at the end of the financial year 2025 and therefore the directors of the Company are exempted from preparing a business review as required by section 388(3) and Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the year.

Donations

During the year ended 31 December 2025, the Company did not make any charitable or other donations (2024: Nil).

Debenture issued

No debentures were issued during the year ended 31 December 2025 (2024: Nil).

Share issued

During the year, a total of 1 ordinary share of the Company was issued. Details of movements in share capital of the Company, together with the reasons therefor, are shown in note 21 to the financial statements.

CHONG HING INSURANCE COMPANY LIMITED
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DIRECTORS' REPORT (CONTINUED)

Directors of the Company

The directors of the Company during the year were:

Mr. Lau Wai Man
Mr. Ma Wai Leung
Mr. Chow Cheuk Yu Alfred
Mr. Cheng Yuk Wo
Mr. Young Chi Ho
Mr. Yu Lup Fat Joseph

In accordance with Article 85 of the Company's Articles of Association, Mr. Cheng Yuk Wo and Mr. Ma Wai Leung shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Controllers of the Company

The controllers of the Company within the meaning of sections 9(1) and 13B of the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong) (the "Insurance Ordinance") during the year and up to the date of this report are:

Mr. Lau Wai Man
Chong Hing Bank Limited
Yuexiu Financial Holdings Limited
Yue Xiu Enterprises (Holdings) Limited
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*)

**for identification purpose only*

Directors' material interests in transactions, arrangements and contracts of significance

During the year, the Company provided insurance agency and underwriting services to certain directors of the Company and Chong Hing Bank Limited, the immediate holding company of the Company. In addition, Chong Hing Bank Limited provides services to the Company including cheque clearing, current, savings and deposit accounts, remittances, and other banking facilities.

Details of the above transactions are set out in note 23 to the financial statements. Other than as disclosed in note 23 to the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company or its subsidiary or any of its holding companies or fellow subsidiaries 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.

CHONG HING INSURANCE COMPANY LIMITED
創興保險有限公司

DIRECTORS' REPORT (CONTINUED)

Directors' interests

At no time during the year ended 31 December 2025 was the Company or its subsidiary or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or any other body corporate.

Permitted indemnity provisions

During the year and up to the date of this report, a permitted indemnity provision (whether made by the Company or otherwise) was or is in force for the benefit of one or more directors of the Company or of its associated companies.

Equity-linked agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Management contracts

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

Transactions as defined in part 2, paragraph 9(k) of Schedule 3 of the Insurance Ordinance.

There were no properties transferred, payments made, loans advanced to or obligations assumed during the year by or for the directors or controllers of the Company or their nominees or associates.

Control of any body corporate as defined in part 2, paragraph 9(m) of Schedule 3 of the Insurance Ordinance.

At the end of the financial year, the Company, together with any associate or through a nominee, was not entitled to exercise or control the exercise of one-third or more of the voting power of any body corporate except for a wholly-owned subsidiary for which the Company is entitled to exercise one-third or more of the voting power with details in note 9(b) to the financial statements.

CHONG HING INSURANCE COMPANY LIMITED`
創興保險有限公司

DIRECTORS' REPORT (CONTINUED)

Auditor

The financial statements for the year ended 31 December 2025 of the Company have been audited by Ernst & Young who shall retire and, being eligible, offer itself for re-appointment as the Company's auditor at the forthcoming annual general meeting of the Company.

On behalf of the Board



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Lau Wai Man
Director

Hong Kong, 22 April 2026

Independent auditor's report**To the member of Chong Hing Insurance Company Limited**

創興保險有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Chong Hing Insurance Company Limited (創興保險有限公司) (the "Company") set out on pages 8 to 73, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Independent auditor's report**To the member of Chong Hing Insurance Company Limited**

創興保險有限公司

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

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

As part of an audit in accordance with HKSAAs, 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.

Independent auditor's report**To the member of Chong Hing Insurance Company Limited**

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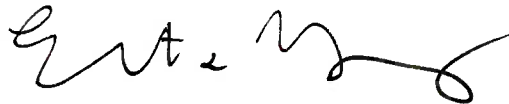
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Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

We communicate with the board of 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 report is LEE, Lit Kei (practising certificate number: P08008).



Certified Public Accountants
Hong Kong
22 April 2026

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK\$	2024 HK\$
Insurance revenue	4	34,893,326	42,516,063
Insurance service expenses	4	(18,450,472)	(11,281,990)
Net expense from reinsurance contracts held	4	(8,597,340)	(9,757,558)
Insurance service result	4	7,845,514	21,476,515
Investment income	5	20,191,200	13,349,913
Finance expense from insurance contracts issued	6	(3,622,710)	(2,812,584)
Finance income from reinsurance contracts held	6	462,707	408,108
Net insurance financial result	6	(3,160,003)	(2,404,476)
Other operating expenses		(7,940,816)	(8,850,059)
Other income		3,676,200	2,886,455
Profit before tax	7	20,612,095	26,458,348
Income tax expenses	8	(652,832)	(1,499,917)
Profit for the year		19,959,263	24,958,431
Other comprehensive income for the year:			
<i>Items that will not be reclassified to profit or loss</i>			
Change in value of financial assets at fair value through other comprehensive income		6,270,219	1,176,105
Deferred income tax arising from fair value change		(735,606)	(194,057)
Disposal of financial assets at fair value through other comprehensive income		(1,812,000)	-
<i>Items that may be reclassified to profit or loss</i>			
Change in value of financial assets at fair value through other comprehensive income		-	109,393
Deferred income tax arising from fair value change		-	(18,973)
Amount reclassified to profit and loss upon impairment or disposal		-	220,431
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		3,722,613	1,292,899
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,681,876	26,251,330

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	31 December 2025 HK\$	31 December 2024 HK\$
ASSETS			
Property, plant and equipment	10	42,041	91,555
Intangible assets	11	2,245,483	2,593,742
Right-of-use assets	12(a)	1,024,286	178,316
Financial assets at fair value through other comprehensive income	15	15,294,136	13,973,916
Reinsurance contract assets	14	8,495,601	9,107,852
Investment in associates	9(a)	332,666,667	166,000,000
Investment in a subsidiary	9(b)	4,000,000	4,000,000
Amount due from related parties & subsidiary	23(c)	195	2,553
Prepayments, deposits and other receivables	17	1,398,042	1,285,030
Fixed deposits	16	81,700,123	-
Cash and cash equivalents	18	220,366,222	270,973,926
Tax recoverable		1,756,465	-
Total assets		668,989,261	468,206,890
LIABILITIES			
Insurance contract liabilities	19	84,242,930	75,860,627
Other payables and accruals	20	10,436,504	11,129,456
Lease liabilities	12(b)	1,077,909	214,043
Deferred tax liabilities	13	2,003,077	928,935
Provision for restoration cost		722,700	722,700
Income tax payable		-	1,005,531
Total liabilities		98,483,120	89,861,292

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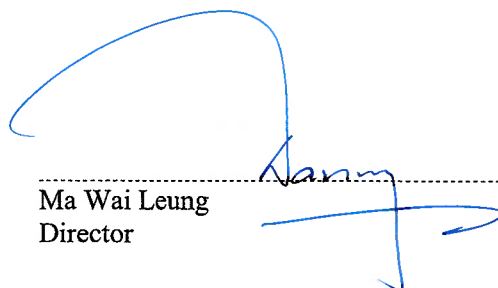
STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2025

	Notes	31 December 2025 HK\$	31 December 2024 HK\$
EQUITY			
Share capital	21	251,666,667	85,000,000
Other reserve		54,932,302	51,209,689
Retained earnings		<u>263,907,172</u>	<u>242,135,909</u>
Total equity		<u>570,506,141</u>	<u>378,345,598</u>
Total equity and liabilities		<u>668,989,261</u>	<u>468,206,890</u>



Lau Wai Man
Director



Ma Wai Leung
Director

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2025

	Share capital HK\$	Share option reserve HK\$	Investment revaluation reserve HK\$	Retained earnings HK\$	Total HK\$
Balance as at 1 January 2024	85,000,000	45,000,000	4,916,790	217,177,478	352,094,268
Profit for the year	-	-	-	24,958,431	24,958,431
Other comprehensive income for the year					
Change in value of financial assets at fair value through other comprehensive income	-	-	1,285,498	-	1,285,498
Deferred tax arising from fair-value change	-	-	(213,030)	-	(213,030)
Amount reclassified to profit and loss upon impairment or disposal	-	-	220,431	-	220,431
Total comprehensive income for the year	-	-	1,292,899	-	1,292,899
Balance as at 31 December 2024	85,000,000	45,000,000	6,209,689	242,135,909	378,345,598

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE YEAR ENDED 31 December 2025

	Share capital HK\$	Share option reserve HK\$	Investment revaluation reserve HK\$	Retained earnings HK\$	Total HK\$
Balance as at 1 January 2025	85,000,000	45,000,000	6,209,689	242,135,909	378,345,598
Addition in share capital	166,666,667	-	-	-	166,666,667
Profit for the year	-	-	-	19,959,263	19,959,263
Other comprehensive income for the year					
Change in value of financial assets at fair value through other comprehensive income	-	-	6,270,219	-	6,270,219
Deferred tax arising from fair-value change	-	-	(735,606)	-	(735,606)
Disposal of financial assets at fair value through other comprehensive income	-	-	(1,812,000)	1,812,000	-
Total comprehensive income for the year				1,812,000	
Balance as at 31 December 2025	251,666,667	45,000,000	9,932,302	263,907,172	570,506,141

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2025

	Notes	2025	2024
		HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		20,612,095	26,458,348
Adjustment for:			
Depreciation of plant and equipment	10	49,514	49,514
Amortisation of intangible assets	11	714,759	473,780
Depreciation of right-of-use assets	12(a)	410,816	427,958
Expected credit loss in investment	5	-	(6,696)
Interest income on bank deposits and debt securities		(6,894,127)	(8,501,634)
Interest expenses on lease liabilities and provision for restoration cost	12(c)	32,792	11,181
Dividend Income from financial assets		(12,928,284)	(4,707,519)
Gain on disposal of financial assets at fair value through profit and loss	5	(368,789)	(140,761)
Decrease/(increase) in reinsurance contract assets		612,251	(565,685)
(Increase)/decrease in receivables		(113,012)	951,643
Increase in interest receivables		(56,195)	(822,734)
(Increase)/decrease in fixed deposits		(81,700,123)	159,985,621
Decrease in amount due from related parties and subsidiary		2,358	284
Increase/(decrease) in insurance contract liabilities		8,382,303	(7,734,315)
(Decrease)/increase in payables		(692,952)	400,121
Cash (used in)/generated from operations		(71,936,594)	166,279,106
Hong Kong profit tax paid		(3,076,292)	(758,058)
Net cash (used in)/generated from operating activities		(75,012,886)	165,521,048
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		12,928,284	4,707,519
Interest received		6,950,321	9,324,366
Purchases of intangible assets	11	(366,500)	(2,500,000)
Disposal of listed financial assets		5,318,789	14,463,589
Capital injection into an associate		(166,666,667)	-
Net cash flows (used in)/generated from investing activities		(141,835,773)	25,995,474
CASH FLOWS FROM FINANCING ACTIVITY			
Principal elements of lease payments	12(b)	(425,712)	(473,715)
Proceeds from issue of share	21	166,666,667	-
Net cash flows generated from/(used in) financing activity		166,240,955	(473,715)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(50,607,704)	191,042,807
Cash and cash equivalents at beginning of year		270,973,926	79,931,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	220,366,222	270,973,926

CHONG HING INSURANCE COMPANY LIMITED
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STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Current and saving accounts with the immediate holding company	18	220,336,222	270,943,926
Cash on hand	18	30,000	30,000
Cash and cash equivalents		<u>220,366,222</u>	<u>270,973,926</u>

CHONG HING INSURANCE COMPANY LIMITED
創興保險有限公司

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. It is a wholly-owned subsidiary of Chong Hing Bank Limited, a public limited company incorporated in Hong Kong. The address of the registered office and principal place of business of the Company is L25, Tower Two, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon.

The Company was incorporated in Hong Kong in 1960 and has become a wholly-owned subsidiary of Chong Hing Bank Limited since 2005. The Company provides a wide range of insurance products to meet customers' various personal or business needs, including fire insurance, home insurance, travel insurance, domestic helper insurance and commercial insurance. The Company is an authorized insurer supervised by the Insurance Authority of Hong Kong.

These financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company on 22 April 2026.

2.1 BASIS OF PREPARATION

The Company is a wholly-owned subsidiary of Chong Hing Bank Limited. The results of its associates and subsidiary are included in the consolidated financial statements of its holding company which are prepared in accordance with all applicable HKFRS Accounting Standards and are available for public use. The Company is exempted from the preparation of consolidated financial statements.

The financial statements have been prepared under the historical cost basis, except for certain equity and bond investments which have been measured at fair value.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has not adopted amendments to HKAS 21 Lack of Exchangeability, which is not applicable to the Company in the current year's financial statements. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Company has not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the accounting year ended 31 December 2025 in these financial statements. Among these new and revised HKFRS Accounting Standards, the following are expected to be relevant to the Company's financial statements upon becoming effective:

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; and (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(Continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Company are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES

(a) Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

(b) Insurance and reinsurance contracts accounting treatment

(i) Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another HKFRS Accounting Standards instead of under HKFRS 17. After separating any distinct components, the Company applies HKFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

(ii) Level of aggregation

HKFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). HKFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into two groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of the remaining contracts in the portfolio (if any)

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(ii) Level of aggregation (Continued)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(iii) Recognition

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

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

And

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(iv) Contract boundary

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

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

Or

Both of the following criteria are satisfied:

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

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(v) Measurement

(1) Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(v) Measurement (Continued)

(1) Insurance contracts – initial measurement (Continued)

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts
- The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For each group of business, there is no allowance for time value of money on the liability for remaining coverage as there is no significant financing component existed.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to 2.4(b)(vi)(2).

(2) Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(v) Measurement

(2) Reinsurance contracts held – initial measurement (Continued)

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(3) Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows paid
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(v) Measurement (Continued)

(3) Insurance contracts – subsequent measurement (Continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.4(b)(vi)(2).

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

(4) Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(5) Insurance acquisition cash flows

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

The Company has opted to recognise any insurance acquisition cash flows as an expense when it incurs those costs, except for commission expenses which will be allocated to groups of insurance contracts. The Company uses a systematic and rational method to allocate:

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(v) Measurement (Continued)

(5) Insurance acquisition cash flows (Continued)

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

(6) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(vi) Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the consolidated statement of profit or loss and other comprehensive income, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(1) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Insurance and reinsurance contracts accounting treatment (Continued)

(vi) Presentation (Continued)

(2) Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 2.4(b)(ii) indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 2.4(b)(v). Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

(3) Loss-recovery components

As described in Note 2.4(b)(v) above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(4) Insurance finance income and expense

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

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

The Company makes use of a general fund and there is no direct link between the investment assets backing the insurance contract liabilities. The Company does not disaggregate finance income and expenses into profit or loss and other comprehensive income, but recognise the entire amount in consolidated statement of profit or loss.

(5) Net income or expense from reinsurance contracts held

The Company presents on the face of the statement of profit or loss and other comprehensive income, the income or expense from a group of reinsurance contracts held. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(i) Financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities

Financial liabilities (including other creditors and amount due to a fellow subsidiary) are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(e) Cash and cash equivalents and deposits

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is an indication that a non-financial asset may be impaired. If such an indication exists, the Company makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

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

(g) Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold improvements	over the lease term
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Plant and equipment and depreciation (Continued)

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the statement of profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

(h) Intangible assets

Intangible assets include purchased patents and capitalised development costs. Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 15 years.

Expenditure on internally developed products is capitalised and deferred only if it can be demonstrated that the product or process is technically and commercially feasible and the Company has sufficient resources to complete the project. Expenditure that does not meet the recognition criteria is expensed in the statement of profit or loss when it is incurred. Capitalised development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

(i) Leases

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

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

Company as a lessee (Continued)

(a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

Premises	over the lease term
----------	---------------------

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for termination of a lease, if the lease term reflects the Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset..

The Company's lease liabilities are included in interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss. The results of a subsidiary are accounted for by the Company on the basis of dividends received or receivable.

Impairment testing of the investment in a subsidiary required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(l) Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investment in an associate is included in the statement of financial position at cost less any identified impairment loss.

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) Dividend income is recognised when the shareholders' right to receive payment has been established; and
- (b) Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

(n) Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Company;

or

- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the 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); and
 - (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 parent of the Company.

(o) Retirement benefit costs

Payments to defined contribution retirement benefit plans, and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

(p) Foreign currencies

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Measurement of the expected credit loss ("ECL") allowance

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL

Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under HKFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

i. Liability for remaining coverage

Insurance acquisition cash flows

The insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the statement of financial position (including those groups that will include insurance contracts expected to arise from renewals), where groups are not eligible to recognise an expense immediately. An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised.

There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

Release of liability for remaining coverage

The release of liability for remaining coverage into insurance revenue is based on expected premiums, where for reinsurance contracts issued this implies estimation of premiums for all insurance service provided, including those not yet reported by the ceding companies.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Insurance and reinsurance contracts (continued)

i. Liability for remaining coverage (continued)

Time value of money

For each group of business, there is no allowance for time value of money on the liability for remaining coverage as there is no significant financing component existed.

ii. Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit the Group to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Insurance and reinsurance contracts (continued)

iii. Discount rate

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

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate. Risk free rates are determined by reference to the risk-free rate as published by Insurance Authority for determination of Risk Based Capital.

Discount rates applied for discounting of future cash flows are listed below:

		2025					
		1 year	2 years	3 years	5 years	10 years	15 years
Currency							
HKD		2.63%	2.50%	2.63%	3.02%	3.74%	3.80%

		2024					
		1 year	2 years	3 years	5 years	10 years	15 years
Currency							
HKD		3.88%	3.61%	3.52%	3.56%	3.78%	3.87%

iv. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

iv. Risk adjustment for non-financial risk (Continued)

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Estimation of incremental borrowing rate in lease liabilities

If the Company cannot readily determine the interest rate implicit in a lease, and therefore, an incremental borrowing rate ("IBR") is used to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain company-specific estimates.

Deferred tax assets

Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profit will be available against which the reversal of those temporary differences can be utilised in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and estimate amount of future taxable profits, together with future tax planning strategies. Deferred tax liabilities of HK\$ 2,003,077 was recognised at 31 December 2025 (2024: HK\$928,935). Further details are provided in note 13 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. INSURANCE REVENUE AND INSURANCE SERVICE EXPENSES

An analysis of insurance revenue, insurance service expenses and net income/(expenses) from reinsurance contracts held for 2025 and 2024 is included in the following tables. Additional information on amounts recognised in profit or loss and other comprehensive income is included in the insurance contract balances reconciliations in note 19.

	2025	2024
	HK\$	HK\$
Insurance revenue		
Insurance revenue from contracts measured under the PAA	34,893,326	42,516,063
Insurance service expenses		
Incurred claims and other directly attributable expenses	(16,197,910)	(21,092,594)
Change that relate to past service – changes in the FCF relating to LIC	4,059,300	15,916,175
Reversal of losses on onerous contracts	11	(11)
Insurance acquisition cash flows amortisation	(6,311,873)	(6,105,560)
Total insurance service expenses	(18,450,472)	(11,281,990)
Net expenses from reinsurance contracts held		
Reinsurance expenses – contracts measured under the PAA	(9,213,271)	(9,246,081)
Effect of changes in the risk of reinsurers' non-performance	(650)	(156,564)
Incurred claims recovery	2,604,548	3,111,492
Changes that relate to past service – changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	(1,987,967)	(3,466,405)
Total net expense from reinsurance contracts held	(8,597,340)	(9,757,558)
Total insurance service result	7,845,514	21,476,515

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NOTES TO FINANCIAL STATEMENTS

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5. INVESTMENT INCOME

	2025 HK\$	2024 HK\$
Gain on disposal of financial assets at fair value through other comprehensive income	-	140,761
Gain on disposal of financial assets at fair value through profit and loss	368,789	-
Dividend income		
Listed investments	-	270,000
Unlisted investments	12,928,284	4,437,519
Interest income		
Listed investments	-	357,265
Bank deposits	6,894,127	8,144,368
Gross investment income	<u>20,191,200</u>	<u>13,349,913</u>
Net gain arising from		
Listed investments	368,789	768,026
Unlisted investments	19,822,411	12,581,887
	<u>20,191,200</u>	<u>13,349,913</u>

6. FINANCE INCOME/(EXPENSE) FROM INSURANCE CONTRACTS ISSUED/REINSURANCE CONTRACTS HELD

	2025 HK\$	2024 HK\$
Interest accreted	(2,593,227)	(3,116,583)
Other finance (expense)/ income from insurance contracts	<u>(1,029,483)</u>	<u>303,999</u>
Net finance expense from insurance contracts	<u>(3,622,710)</u>	<u>(2,812,584)</u>
Interest accreted	348,567	439,127
Other finance income/(expense) from reinsurance contracts held	<u>114,140</u>	<u>(31,019)</u>
Net finance income from reinsurance contracts held	<u>462,707</u>	<u>408,108</u>

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7. PROFIT BEFORE TAX

	2025 HK\$	2024 HK\$
Profit before tax has been arrived at after charging:		
Auditor's remuneration	889,500	1,126,000
Directors' remuneration:		
Fees for services as a director	210,000	210,000
Other emoluments in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking	1,388,063	1,315,682
Staff costs:		
Salaries and allowance	10,011,090	9,721,653
Retirement benefits scheme contributions	616,145	475,415
Amortisation of intangible assets	714,759	473,780
Depreciation of property and equipment	49,514	49,514
Depreciation of right-of-use assets	410,816	427,958

8. INCOME TAX EXPENSE

Hong Kong profits tax has been calculated at the rate of 16.5% (2024:16.5%) and concessionary profits tax rate of 8.25% (2024:8.25%) on specified general insurance business and general reinsurance business of the estimated assessable profit for the year.

Deferred taxation is calculated on temporary difference under the liability method using a taxation rate of 16.5% (2024: 16.5%).

	Notes	2025 HK\$	2024 HK\$
Current tax on profits for the year		(367,391)	(2,175,449)
Over provision		53,095	707,268
Deferred tax	13	(338,536)	(31,736)
Income tax expenses		(652,832)	(1,499,917)

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8. INCOME TAX EXPENSE (Continued)

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

	2025 HK\$	2024 HK\$
Profit before tax	20,612,095	26,458,348
Calculated at a taxation rate of 16.5% and tax concessionary rate of 8.25% (2024: 16.5% and 8.25%)	(3,379,734)	(4,365,627)
Effect of:		
Income not subject to taxation	3,290,342	2,120,561
Expenses not deductible for tax purposes	(41,579)	(86,315)
Overprovision in respect of prior year adjustments	53,095	707,268
Others	(574,956)	124,196
Income tax expense	(652,832)	(1,499,917)

Hong Kong enacted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Group) Ordinance 2025 to implement the Pillar Two model rules on 6 June 2025 with retrospective effect from 1 January 2025. Hong Kong has followed the GloBE model rules set out by the OECD and introduced the Hong Kong Minimum Top-up Tax (HKMTT) which qualifies as QDMTT.

The company has assessed that the top-up tax liabilities in Hong Kong shall be deemed as zero for the year ended 31 December 2025.

9(a). INVESTMENT IN ASSOCIATES

	2025 HK\$	2024 HK\$
Unlisted shares, at cost	332,666,667	166,000,000

Details of the Company's associates as at 31 December 2025 and 2024 are as follows:

Name of associate	Form of entity	Country of incorporation	Principal place of operation	Class of share held	Proportion of ownership interest held by the Company		Proportion of voting rights held by the Company		Principal activity
					2025	2024	2025	2024	
BC Reinsurance Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	21%	21%	21%	21%	Reinsurance
Hong Kong Life Insurance Limited ("HKL")	Incorporated	Hong Kong	Hong Kong	Ordinary	16.67%	16.67%	16.67%	16.67%	Life Insurance

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NOTES TO FINANCIAL STATEMENTS

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9(a). INVESTMENT IN ASSOCIATES (Continued)

On 4 November 2025, HKL issued 1 ordinary share to the Company at the subscription price of HK\$166,666,667, as a result of capital injection. Such share was fully paid. Upon the completion of the aforesaid capital injection and as at 31 December 2025, the Company continued to hold 16.67% interest in the issued share capital of HKL.

9(b). INVESTMENT IN A SUBSIDIARY

	2025 HK\$	2024 HK\$
Unlisted shares, at cost	4,000,000	4,000,000

Details of the Company's subsidiary as at 31 December 2025 and 2024 are as follows:

Name of subsidiary	Form of entity	Country of incorporation	Principal place of operation	Class of share held	Proportion of ownership interest held by the Company		Proportion of voting rights held by the Company		Principal activity
					2025	2024	2025	2024	
Chong Hing Insurance Brokers Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	100%	100%	100%	Insurance Brokerage

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10. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office Equipment HK\$	Total HK\$
Cost			
At 1 January 2024	1,027,349	415,296	1,442,645
At 31 December 2024 and 1 January 2025	1,027,349	415,296	1,442,645
At 31 December 2025	1,027,349	415,296	1,442,645
Accumulated Depreciation			
At 1 January 2024	1,025,771	275,805	1,301,576
Provided for the year	541	48,973	49,514
At 31 December 2024	1,026,312	324,778	1,351,090
Provided for the year	541	48,973	49,514
At 31 December 2025	1,026,853	373,751	1,400,604
Net Carrying Amount			
At 31 December 2024	1,037	90,518	91,555
At 31 December 2025	496	41,545	42,041

11. INTANGIBLE ASSETS

	2025 HK\$	2024 HK\$
Cost		
At 1 January	6,498,964	3,998,964
Additions	366,500	2,500,000
At 31 December	6,865,464	6,498,964
Accumulated impairment/amortisation		
At 1 January	3,905,222	3,431,442
Amortisation charge for the year	714,759	473,780
At 31 December	4,619,981	3,905,222
Net book value		
At 31 December	2,245,483	2,593,742

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12. LEASES

The Company has a lease contract for its office premise which is further discussed below.

(a) Right-of-use assets

The carrying amounts of the Company's right-of-use assets and the movements during the year are as follows:

	2025 HK\$	2024 HK\$
As at 1 January	178,316	606,274
Addition	1,256,786	-
Depreciation charge	(410,816)	(427,958)
As at 31 December	<u>1,024,286</u>	<u>178,316</u>

The Company obtains right to use the office premise for a period of time through lease arrangements.

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2025 HK\$	2024 HK\$
As at 1 January	214,043	676,577
Addition	1,256,786	-
Payments	(425,712)	(473,715)
Accretion of interest recognized during the year	<u>32,792</u>	<u>11,181</u>
As at 31 December	<u>1,077,909</u>	<u>214,043</u>
Analysed into:		
Current portion	449,642	214,043
Non-current portion	<u>628,267</u>	<u>-</u>

The weighted average incremental borrowing rates applied to lease liabilities of the Company are 3.09% and 3.35% (2024: 1.57%).

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12. LEASES (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 HK\$	2024 HK\$
Interest for lease liabilities	32,792	11,181
Depreciation charge of right-of-use assets	410,816	427,958
	<u>443,608</u>	<u>439,139</u>

13. DEFERRED TAX

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Fair value gains/ losses HK\$	Accelerated tax depreciation HK\$	Total HK\$
At 1 January 2024	(635,900)	(3,390)	(639,290)
Charge to income statement	-	(31,736)	(31,736)
Charge to other comprehensive income	(213,030)	(44,879)	(257,909)
At 31 December 2024 and 1 January 2025	(848,930)	(80,005)	(928,935)
Charge to income statement	(378,316)	39,780	(338,536)
Charge to other comprehensive income	(735,606)	-	(735,606)
At 31 December 2025	<u>(1,962,852)</u>	<u>(40,225)</u>	<u>(2,003,077)</u>

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14. REINSURANCE CONTRACT ASSETS

Reconciliation of the remaining coverage and incurred claims components – Reinsurance contract held business

	2025					2024				
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening reinsurance contract assets	(185,250)	-	9,293,102	-	9,107,852	(1,720,196)	-	9,207,699	1,054,664	8,542,167
Opening reinsurance contract liabilities	(185,250)	-	9,293,102	-	9,107,852	(1,720,196)	-	9,207,699	1,054,664	8,542,167
Net opening balance	(185,250)	-	9,293,102	-	9,107,852	(1,720,196)	-	9,207,699	1,054,664	8,542,167
Reinsurance expenses	(9,213,271)	-	-	-	(9,213,271)	(9,246,081)	-	-	-	(9,246,081)
Amounts recoverable from reinsurers	-	-	-	-	-	-	-	-	-	-
Incurred claims recovery	-	-	2,604,548	-	2,604,548	-	-	3,111,492	-	3,111,492
Changes that relate to past service – changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	-	-	(1,987,967)	-	(1,987,967)	-	-	(2,411,741)	(1,054,664)	(3,466,405)
Effect of changes in the risk of reinsurers' non-performance	-	-	(650)	-	(650)	-	-	(156,564)	-	(156,564)
Net expense from reinsurance contracts	(9,213,271)	-	615,931	-	(8,597,340)	(9,246,081)	-	543,187	(1,054,664)	(9,757,558)
Net finance income from reinsurance contracts held	-	-	462,707	-	462,707	-	-	408,109	-	408,109
Total amounts recognised in comprehensive income	(9,213,271)	-	1,078,638	-	(8,134,633)	(9,246,081)	-	951,296	(1,054,664)	(9,349,449)
Cash flows	9,545,975	-	-	-	9,545,975	10,781,027	-	-	-	10,781,027
Premiums paid net of ceding commissions	-	-	(2,023,593)	-	(2,023,593)	-	-	(865,893)	-	(865,893)
Recoveries from reinsurance	-	-	(2,023,593)	-	(2,023,593)	-	-	(865,893)	-	(865,893)
Total cash flows	9,545,975	-	(2,023,593)	-	7,522,382	10,781,027	-	(865,893)	-	9,915,134
Closing reinsurance contract assets	147,454	-	8,348,147	-	8,495,601	(185,250)	-	9,293,102	-	9,107,852
Closing reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
Net closing balance	147,454	-	8,348,147	-	8,495,601	(185,250)	-	9,293,102	-	9,107,852

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2025 HK\$	2024 HK\$
At fair value			
Listed investments, at fair value:			
- Equity securities listed in Hong Kong	25	-	4,596,000
Unlisted investments, at fair value:			
- Equity securities	25	15,294,136	9,377,916
		<u> </u>	<u> </u>
Total	25	15,294,136	13,973,916
		<u> </u>	<u> </u>

During the year, the gross gain in respect of the Company's financial assets at fair value through other comprehensive income recognised in other comprehensive income amount to HK\$ 4,458,219 (2024: gross loss of HK\$1,557,506).

At the end of the reporting period, fair values of listed investments have been determined by reference to closing prices quoted in active markets.

Loss allowance for debt investments at FVOCI is recognised for the year ended 31 December 2025 amount to HK\$Nil (2024: HK\$ Nil).

16. FIXED DEPOSITS

The fixed-rate time deposits are with original maturities longer than 3 months and carry interest rates ranged from 2.60% to 3.40% (2024: Nil).

	Notes	2025 HK\$	2024 HK\$
Balances with original maturity more than three months:			
- fixed deposits with the immediate holding company	26(b)	81,700,123	-
		<u> </u>	<u> </u>

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17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025	2024
	HK\$	HK\$
Other receivables and deposits	393,126	369,501
Interest receivables	585,774	641,969
Other prepayments	419,142	273,560
	<u>1,398,042</u>	<u>1,285,030</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there has been no recent history of default and the carrying amounts reasonably approximate to their fair values.

18. CASH AND CASH EQUIVALENTS

The fixed-rate time deposits are with original maturities less than 3 months and carry interest rates ranged from 2.40% to 3.55% (2024: 3.34% to 5.45%).

	Notes	2025	2024
		HK\$	HK\$
Short term bank deposit		220,336,222	270,943,926
Cash on hand		30,000	30,000
	26(b)	<u>220,366,222</u>	<u>270,973,926</u>

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19. INSURANCE CONTRACT LIABILITIES

	2025				2024					
	Liabilities for remaining coverage		Liabilities for incurred claims		Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Opening insurance contract liabilities	6,789,811	11	62,199,460	6,871,345	75,860,627	9,552,321	-	66,020,656	8,021,966	83,594,943
Net opening balance	6,789,811	11	62,199,460	6,871,345	75,860,627	9,552,321	-	66,020,656	8,021,966	83,594,943
Insurance revenue	(34,893,326)	-	-	-	(34,893,326)	(42,516,063)	-	-	-	(42,516,063)
Insurance service expenses	-	-	-	-	-	-	-	-	-	-
Incurred claims and other directly attributable expenses	-	-	14,773,117	1,424,793	16,197,910	-	-	19,278,528	1,814,066	21,092,594
Changes that relate to past service – changes in the FCF relating to LIC	-	-	(3,460,345)	(598,955)	(4,059,300)	-	-	(12,660,862)	(3,255,313)	(15,916,175)
Reversal of losses on onerous contracts	-	(11)	-	-	(11)	-	11	-	-	11
Insurance acquisition cash flows amortisation	6,311,873	-	-	-	6,311,873	6,105,560	-	-	-	6,105,560
Total insurance service expenses	6,311,873	(11)	11,312,772	825,838	18,450,472	6,105,560	11	6,617,666	(1,441,247)	11,281,990
Insurance service result	(28,581,453)	(11)	11,312,772	825,838	(16,442,854)	(36,410,503)	11	6,617,666	(1,441,247)	(31,234,073)
Finance expense from insurance contracts issued	-	-	3,202,808	419,902	3,622,710	-	-	2,521,958	290,626	2,812,584
Total amounts recognised in comprehensive income	(28,581,453)	(11)	14,515,580	1,245,740	(12,820,144)	(36,410,503)	11	9,139,624	(1,150,621)	(28,421,489)
Cash flows										
Premiums received	39,716,423	-	-	-	39,716,423	39,196,302	-	-	-	39,196,302
Claims and other directly attributable expenses paid	(4,747,697)	-	(11,889,076)	-	(16,636,775)	(3,798,207)	-	(12,960,820)	-	(16,759,027)
Insurance acquisition cash flows	(1,877,201)	-	-	-	(1,877,201)	(1,750,102)	-	-	-	(1,750,102)
Total cash flows	33,091,525	-	(11,889,076)	-	21,202,447	33,647,993	-	(12,960,820)	-	20,687,173
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Closing insurance contract liabilities	11,299,883	-	64,825,962	8,117,085	84,242,930	6,789,811	11	62,199,460	6,871,345	75,860,627
Net closing balance	11,299,883	-	64,825,962	8,117,085	84,242,930	6,789,811	11	62,199,460	6,871,345	75,860,627

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20. OTHER PAYABLES AND ACCRUALS

	2025 HK\$	2024 HK\$
Other payables	7,034,021	7,028,314
Accruals	3,402,483	4,101,142
	<u>10,436,504</u>	<u>11,129,456</u>

All amounts and other payables are current liabilities payable within one year.

21. SHARE CAPITAL

	2025 HK\$	2024 HK\$
Issued and fully paid: 85,000,001 (2024: 85,000,000) ordinary shares	<u>251,666,667</u>	<u>85,000,000</u>

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$
At 1 January 2024 and 1 January 2025	85,000,000	85,000,000
Issue of new ordinary share	<u>1</u>	<u>166,666,667</u>
At 31 December 2025	<u>85,000,001</u>	<u>251,666,667</u>

On 31 October 2025, 1 ordinary share was issued at HK\$166,666,667 per share for cash to the existing shareholders of the Company, which resulted in proceeds of HK\$166,666,667.

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22. DIRECTORS' EMOLUMENTS

	2025 HK\$	2024 HK\$
Aggregate emoluments of the paid directors	<u>1,598,063</u>	<u>1,525,682</u>
The aggregate emoluments of the three highest paid directors	<u>1,548,063</u>	<u>1,475,682</u>

The emoluments of the Directors of the Company disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation were set out below:

Directors' remuneration paid or payable in respect of directors' services is HK\$1,598,063 (2024: HK\$1,525,682). No retirement benefits were paid to a director during the year (2024: HK\$ Nil). During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2024: HK\$ Nil). No consideration was provided to or receivable by third parties for making available directors' services (2024: HK\$ Nil).

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2024: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2024: None).

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23. RELATED PARTY TRANSACTIONS

Related parties are those parties, which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

	2025 HK\$	2024 HK\$
(a) Transactions with related parties		
Premiums written		
- from holding company	3,375,045	3,103,564
- from directors	16,433	10,245
- from fellow subsidiaries	2,378	2,396
- from an associate	547,207	469,697
Claims paid		
- to holding company	1,927,810	67,454
- to directors	360	540
- to fellow subsidiaries	40,034	1,226,542
- to an associate	79,452	280,875
Rental expenses in respect of office premises and carpark paid		
- to immediate holding company	446,844	495,178
Building management fee and air-conditioning fee paid		
- to investing enterprise having significance influence on holding company and fellow subsidiary	121,491	115,197
Interest income derived from bank deposits kept at holding company	6,894,127	8,144,367
Management fee paid to immediate holding company	42,063	-
Employer's MPF contributions paid to a jointly controlled entity of the immediate holding company	631,415	756,061
Share custody fee to		
- a fellow subsidiary	10,440	675
Dividend income from an associate	12,600,000	4,200,000
Referral fee received		
- from an associate	2,958,639	2,457,463

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23. RELATED PARTY TRANSACTIONS (Continued)

	2025 HK\$	2024 HK\$
(b) Year end balances with related parties		
Premium receivable		
- from holding company	17,229	1,977
- from fellow subsidiaries	41,543	39,406
Amount due from/(to) an associate under reinsurance contracts accepted	177,002	(80,557)
Bank balances kept at holding company	302,036,288	270,943,870
Interest receivables from holding company	585,776	641,969
	<u> </u>	<u> </u>

The bank balances, which include fixed deposits and savings accounts held at holding company bear interest at rates similar to those made available to unrelated parties.

The other outstanding balances are unsecured, non-interest bearing and repayable on demand.

(c) Amounts due from related parties & subsidiary

Amounts due from related parties & subsidiary are unsecured, interest-free and has no fixed term of repayments.

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24. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments (other than deferred tax liabilities, reinsurance contract assets and insurance contract liabilities, as disclosed at notes 13, 14 and 19) as at the end of the reporting period are as follows:

At 31 December 2025

Financial assets

	Fair value Through other Comprehensive income HK\$	Amortised cost HK\$	Total HK\$
Financial assets at fair value through other comprehensive income	15,294,136	-	15,294,136
Amounts due from related parties & subsidiary	-	195	195
Financial assets included in deposits and other receivables	-	978,900	978,900
Cash and cash equivalents	-	220,366,222	220,366,222
Fixed deposits	-	81,700,123	81,700,123
	<u>15,294,136</u>	<u>303,045,440</u>	<u>318,339,576</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$
Lease liabilities	1,077,909
Other payables	5,809,753
	<u>6,887,662</u>

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24. FINANCIAL INSTRUMENTS BY CATEGORIES (Continued)

At 31 December 2024

Financial assets

	Fair value Through other Comprehensive income HK\$	Amortised cost HK\$	Total HK\$
Financial assets at fair value through other comprehensive income	13,973,916	-	13,973,916
Amounts due from related parties & subsidiary	-	2,553	2,553
Financial assets included in deposits and other receivables	-	1,011,470	1,011,470
Cash and cash equivalents	-	270,973,926	270,973,926
	<u>13,973,916</u>	<u>271,987,949</u>	<u>285,961,865</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$
Lease liabilities	214,043
Other payables	5,852,700
	<u>6,066,743</u>

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25. FAIR VALUE AND FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

	Notes	Fair value measurement using			Total HK\$
		Quoted price in active market (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
<i>At 31 December 2025</i>					
Unlisted Equity investment	15	-	-	15,294,136	15,294,136
		<u>-</u>	<u>-</u>	<u>15,294,136</u>	<u>15,294,136</u>
		<u>-</u>	<u>-</u>	<u>15,294,136</u>	<u>15,294,136</u>
<i>At 31 December 2024</i>					
Listed Equity investment	15	4,596,000	-	-	4,596,000
Unlisted Equity investment	15	-	-	9,377,916	9,377,916
		<u>4,596,000</u>	<u>-</u>	<u>9,377,916</u>	<u>13,973,916</u>

During the year of 2025 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Management has assessed that the fair values of amount due from related parties and subsidiary, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of each financial asset and liability is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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25. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets measured at FVOCI HK\$
At 1 January 2024	8,909,811
Net fair value gain recognised in other comprehensive income	468,105
At 31 December 2024 and 1 January 2025	9,377,916
Net fair value gain recognised in other comprehensive income	5,916,220
At 31 December 2025	15,294,136

The significant unobservable inputs and their range applied in the fair values measurement of the Company's Level 3 financial assets measured at FVOCI include price/book values ratios of the appropriate comparables of 0.60x – 2.36x (2024: 0.35x – 2.12x) and liquidity discount of 30%. The fair value is positively correlated to the price/book values ratios and is negatively correlated to the liquidity discount used in the average of price/book values ratios.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Regulatory framework

The operation of the Company is subject to local regulatory requirements in Hong Kong. The regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

Insurance risk

The Company principally writes and accepts the following types of general insurance contracts: accident and health, casualty, marine and property.

The principal risk the Company faces under insurance contracts is that the actual claims and payments or the timing thereof, are uncertain or differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims, are policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

The Company's insurance contract liabilities as at 31 December 2025 were concentrated in the property, marine and accident and health lines as the Company underwrote a wide range of direct and assumed business of property damage and technical risks as well as accepted a major reinsurance contract to provide coverage over the risks of property damage or business interruption for certain energy-related business. For Marine and Accident and Health, the risks were mainly cargo and medical coverage respectively. However the Company's underwriting strategy, in the long run, is designed to ensure that risks are well diversified in terms of type of risk.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's past claims development experience may be used to predict future claims experience. This includes assumptions in respect of average claims costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

	Change in assumptions %	Impact on gross insurance contract liabilities HK\$	Impact on net insurance contract liabilities HK\$	Impact on profit before tax HK\$	Impact on equity HK\$
31 December 2025					
Insurance risks	+5%	3,149,445	2,699,856	(2,254,380)	(2,254,380)
	-5%	(3,149,445)	(2,699,856)	2,254,380	2,254,380
31 December 2024					
Insurance risks	+5%	2,994,142	2,545,506	(2,125,498)	(2,125,498)
	-5%	(2,994,142)	(2,545,506)	2,125,498	2,125,498

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

Gross undiscounted liabilities for incurred claims for 2025

Accident year HK\$	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
At end of reporting year	10,755,754	4,802,403	14,344,376	18,673,736	13,151,193	
One year later	12,580,877	9,906,005	17,246,493	19,353,020	-	
Two years later	12,378,460	15,275,514	24,259,731	-	-	
Three years later	12,744,744	14,732,120	-	-	-	
Four years later	11,949,910	-	-	-	-	
Current estimate of cumulative claims	11,949,910	14,732,120	24,259,731	19,353,020	13,151,193	83,445,974
Cumulative payments to date	(8,608,346)	(5,526,132)	(8,889,611)	(1,276,317)	(420,125)	(24,720,531)
Total gross undiscounted liabilities for incurred claims as at reporting date	<u>3,341,564</u>	<u>9,205,988</u>	<u>15,370,120</u>	<u>18,076,703</u>	<u>12,731,068</u>	<u>58,725,443</u>
Gross undiscounted liabilities for incurred claims for prior years						7,731,102
Effect of discounting						(3,467,649)
Effect of risk adjustment						8,117,085
Accrued directly attributed expenses and claims payables						1,837,066
Total gross insurance claims included in the statement of financial position						<u>72,943,047</u>

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NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

Net undiscounted liabilities for incurred claims for 2025

Accident year HK\$	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
At end of reporting year	6,085,798	4,102,299	9,663,310	15,316,888	10,429,618	
One year later	8,703,633	9,843,355	12,530,449	16,398,454	-	
Two years later	8,684,192	15,315,158	19,204,892	-	-	
Three years later	9,118,583	13,618,404	-	-	-	
Four years later	11,182,361	-	-	-	-	
Current estimate of cumulative claims	11,182,361	13,618,404	19,204,892	16,398,454	10,429,618	70,833,729
Cumulative payments to date	(8,119,247)	(5,219,186)	(6,102,192)	(1,898,462)	(362,866)	(21,701,953)
Total net undiscounted liabilities for incurred claims as at reporting date	<u>3,063,114</u>	<u>8,399,218</u>	<u>13,102,700</u>	<u>14,499,992</u>	<u>10,066,752</u>	<u>49,131,776</u>
Net undiscounted liabilities for incurred claims for prior years						7,554,678
Effect of discounting						(2,996,180)
Effect of risk adjustment						8,117,085
Effect of the risk of reinsurer's non-performance						306,855
Accrued directly attributed expenses and claims payables						<u>2,480,686</u>
Total net insurance claims included in the statement of financial position						<u>64,594,900</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market Risk

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

(a) Interest rate risk

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

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from differences in maturities or re-pricing of invested assets. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile and matching the duration of invested assets with the duration of maturing liabilities, which may change over time, based on the Investment Committee's longer-term view of interest rates and economic conditions.

At 31 December 2025, if interest rates/yields had been 100 basis points (2024: 100 basis points) higher or lower, profit before tax and equity would have been HK\$ 3,020,663 higher or lower (2024: HK\$2,709,739) respectively.

(b) Equity Price risk

The Company is also subject to equity price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements.

At 31 December 2025, if equity / fund prices had been 5% (2024: 5%) higher or lower, profit after tax and equity would have been HK\$ 638,530 higher or lower (2024: profit after tax and equity would have been HK\$583,411 higher or lower) respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risks

(a) Credit risk

At 31 December 2025, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective recognised financial assets and insurance assets as stated in the statement of financial position.

In order to minimise the credit risk, the Company reviews the recoverable amount of each individual insurance debtor to ensure that adequate impairment losses are made for irrecoverable amounts. Insurance debtors consist of a large number of counterparties. The creditworthiness of these counterparties is considered by reviewing their financial strength prior to finalisation of any contract and transaction. The Company maintains records of the payment history for significant contract holders with whom they conduct regular business. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on bank balances and reinsurance assets is limited because the counterparties are the financial institutions with high credit ratings assigned by international credit-rating agencies.

The table below shows the maximum exposure to credit risk:

	2025 HK\$	2024 HK\$
Receivable including deposits and other receivables	978,900	1,011,470
Fixed deposits	81,700,123	-
Amount due from related parties & subsidiary	195	2,553
Cash and cash equivalents	220,366,222	270,973,926
	<u>303,045,440</u>	<u>271,987,949</u>

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the external credit rating of counterparties.

Investment grade refers to the quality of counterparty's credit which is rated at "BBB" or higher by Standard and Poor's, Moody's or Fitch's.

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NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risks (Continued)

(a) Credit risk (Continued)

The following tables illustrate the credit exposure by credit rating of the Company's financial instruments before adjustment under the provisions of the Valuation Rules as at 31 December 2025 and 2024:

Credit exposure by credit rating	Investment grade HK\$	Non- investment grade HK\$	Not rated HK\$	Total HK\$
At 31 December 2025				
Receivable including deposits and other receivables	-	-	978,900	978,900
Fixed deposits	81,700,123	-	-	81,700,123
Amount due from related parties & subsidiary	-	-	195	195
Cash and cash equivalents	220,336,222	30,000	-	220,366,222
	<u>302,036,345</u>	<u>30,000</u>	<u>979,095</u>	<u>303,045,440</u>

Credit exposure by credit rating	Investment grade HK\$	Non- investment grade HK\$	Not rated HK\$	Total HK\$
At 31 December 2024				
Receivable including deposits and other receivables	-	-	1,011,470	1,011,470
Amount due from related parties & subsidiary	-	-	2,553	2,553
Cash and cash equivalents	270,943,926	30,000	-	270,973,926
	<u>270,943,926</u>	<u>30,000</u>	<u>1,014,023</u>	<u>271,987,949</u>

The following tables provide information regarding the carrying value of the Company's financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance date.

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NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risks (Continued)

(b) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from benefit payments. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by monitoring daily and monthly projected and actual cash flows and outflows by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. All carrying amounts on balance sheet are undiscounted.

The table below analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date or, where applicable, the earliest callable date.

At 31 December 2025	On demand HK\$	Less than 1 year HK\$	1 to 5 years HK\$	Total HK\$
ASSETS				
Financial assets at fair value through other comprehensive income	15,294,136	-	-	15,294,136
Financial assets included in deposits and other receivables	-	978,900	-	978,900
Amount due from related parties & subsidiary	195	-	-	195
Fixed Deposit	-	81,700,123	-	81,700,123
Cash and cash equivalents	220,366,222	-	-	220,366,222
	<u>235,660,553</u>	<u>82,679,023</u>	<u>-</u>	<u>318,339,576</u>
LIABILITIES				
Other payables	-	5,809,753	-	5,809,753
Lease liabilities	-	493,506	651,253	1,114,759
	<u>-</u>	<u>6,259,395</u>	<u>628,267</u>	<u>6,954,512</u>

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NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risks (Continued)

(b) Liquidity risk (Continued)

At 31 December 2024	On demand HK\$	Less than 1 year HK\$	1 to 5 years HK\$	Total HK\$
ASSETS				
Financial assets at fair value through other comprehensive income	13,973,916	-	-	13,973,916
Financial assets included in deposits and other receivables	-	1,011,470	-	1,011,470
Amount due from related parties & subsidiary	2,553	-	-	2,553
Cash and cash equivalents	270,973,926	-	-	270,973,926
	<u>284,950,395</u>	<u>1,011,470</u>	<u>-</u>	<u>285,961,865</u>
LIABILITIES				
Other payables	-	5,852,700	-	5,852,700
Lease liabilities	-	215,325	-	215,325
	<u>-</u>	<u>6,068,025</u>	<u>-</u>	<u>6,068,025</u>

(c) Currency risk

The Company issues insurance policies which are primarily denominated in Hong Kong Dollars. The Company pursues a policy of matching assets and liabilities, in both currency and duration. Consequently it is not a Company policy to invest significant amount in currencies other than Hong Kong dollars and United States dollars.

At 31 December 2025, all assets and liabilities are denominated in Hong Kong dollars or United States dollars. The Company views the currency mismatch risk is minimal by taking the assumption that the Linked Exchange Rate System maintained by the Hong Kong Monetary Authority is in place.

27. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events that have occurred subsequent to the reporting date which require adjustment to, or disclosure in, the financial statements.

28. APPROVAL OF THE FINANCIAL STATEMENT

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