Report of the Directors and Audited Financial Statements

LIBERTY SPECIALTY MARKETS HONG KONG LIMITED

31 December 2024

Contents

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Liberty Specialty Markets Hong Kong Limited (the "Company") for the year ended 31 December 2024.

Principal activity
The principal activity of the Company has not changed during the year and consists of the transaction of general insurance business (excluding statutory insurance) and the acceptance of reinsurance.

Results and dividends
The Company's profit for the year ended 31 December 2024 and the Company's financial position at that date are set out in the financial statements on pages 6 to 51.

The directors do not recommend the payment of any dividends in respect of the year.

Plant and equipment
Details of movements in the plant and equipment of the Company during the year are set out in note 7 to the financial statements.

Directors and controllers
The directors of the Company during the year were:

John William Heyward McCabe	
David Gordon Smyth	
Helen Louisa Mackenzie	
Joseph Martin-Oliver Hobbs	(Resigned from board w.e.f. 1 September 2024)
Matthew Garth Jackson	(Resigned from board w.e.f. 1 October 2024)
Eddie Young	(New appointment w.e.f. 1 October 2024)
Karen Kar Lun Lee	(New appointment w.e.f. 1 October 2024)

The controllers of the Company during the year were:

Tim Sweeney
Eddie Young
Liberty UK and Europe Holdings Limited
Liberty International US European Holdings LLC
Liberty International Netherlands V.O.F.
Liberty International Europe LLC
Liberty International Holdings Inc.
LIHI Holdings LLC
Liberty Mutual Insurance Company
Liberty Mutual Group Inc.
LMHC Massachusetts Holdings Inc.
Liberty Mutual Holding Company Inc.

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

REPORT OF THE DIRECTORS (continued)

Directors' and controllers' interests in transactions, arrangements or contracts

No director nor controller nor a connected entity of a director or controller had a material interest, either directly or indirectly, in any transactions, arrangement or contracts of significance to the business of the Company to which holding companies of the Company or fellow subsidiaries was a party during the year other than interests of companies of which the Company is a subsidiary in the related party transactions disclosed in note 16.

Material reinsurance agreements

Details of the major outward reinsurance arrangements are as follows:

Marine	-	Quota share and excess of loss treaties
Other non-marine	-	Quota share and excess of loss treaties
Whole Account Umbrella Treaty	-	Surplus Treaty. Applies after application of all other external and internal reinsurance. The Company's maximum retention in respect of one claim is USD 500,000

Auditor

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

ON BEHALF OF THE BOARD

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Director
Eddie Young

EY 安永

Ernst & Young
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Independent auditor's report
To the member of Liberty Specialty Markets Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the financial statements of Liberty Specialty Markets Hong Kong Limited (the "Company") set out on pages 6 to 51, which comprise the statement of financial position as at 31 December 2024, 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon
The directors are responsible for the other information. The other information comprises 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.

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 HKFRSs 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.

The directors are responsible for overseeing the Company's financial reporting process.

Independent auditor's report (continued)
To the member of Liberty Specialty Markets Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

EY 安永

Independent auditor's report (continued)
To the member of Liberty Specialty Markets Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

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

Ernst & Young

Certified Public Accountants
Hong Kong
23 April 2025

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK$	2023 HK$
Assets			
Cash and cash equivalents	17	963,176,155	884,231,316
Financial assets at fair value through profit or loss	9	195,052,640	189,042,059
Prepayments, deposits and other receivables		3,832,349	9,652,220
Intangible asset	8	2,900,000	-
Reinsurance contract assets	6	595,006,559	441,437,432
Right-of-use of assets	15	4,645,302	7,299,761
Plant and equipment	7	335,093	200,429
Deferred tax assets	14	5,299,570	-
Total assets		**1,770,247,668**	**1,531,863,217**
Liabilities			
Tax payable		15,020,970	10,804,347
Other payables and accruals		10,451,531	10,338,603
Amounts due to related parties	16	417,243	621,459
Insurance contract liabilities	5	1,120,866,672	985,670,339
Reinsurance contract liabilities	6	587,789	1,523,731
Lease liabilities	15	5,962,898	8,043,074
Deferred tax liabilities	14	-	6,900,566
Total liabilities		**1,153,307,103**	**1,023,902,119**
Net assets		**616,940,565**	**507,961,098**
Represented by:			
Share capital	10	200,828,001	200,828,001
Retained earnings		416,112,564	307,133,097
Total equity		**616,940,565**	**507,961,098**

Eddie Young
Director

John William Heyward McCabe
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2024

	Notes	2024 HK$	2023 HK$
Insurance revenue	5	452,867,209	454,357,002
Insurance service expense	5	(363,928,686)	(268,340,595)
Insurance service result before reinsurance contracts held		**88,938,523**	**186,016,407**
Net income/(expenses) from reinsurance contracts held	6	**27,733,245**	**(56,855,753)**
Insurance service result		**116,671,768**	**129,160,654**
Investment income	4, 12	24,918,703	23,815,743
Foreign exchange gains	4	16,611,275	1,087,005
Net investment income		**41,529,978**	**24,902,748**
Insurance finance expense for insurance and reinsurance contracts issued	4	(22,022,404)	(22,107,219)
Reinsurance finance income for reinsurance contracts held	4	10,306,056	9,749,070
Net insurance finance result		**(11,716,348)**	**(12,358,149)**
Other operating expenses	11	(30,282,001)	(28,711,751)
Other income		745,718	590,339
Finance costs – interest expense on lease liability	15	(267,599)	(81,166)
Other income and expense		**(29,803,882)**	**(28,202,578)**
Profit before income tax		**116,681,516**	**113,502,675**
Income tax	13	(7,702,049)	(5,617,395)
Profit and total comprehensive income for the year		**108,979,467**	**107,885,280**

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2024

	Note	Share Capital HK$	Retained Earnings HK$	Total HK$
As at 1 January 2023		200,828,001	199,247,817	400,075,818
Profit and total comprehensive income for the year		-	107,885,280	107,885,280
As at 31 December 2023 and 1 January 2024		200,828,001	307,133,097	507,961,098
Profit and total comprehensive income for the year		-	108,979,467	108,979,467
As at 31 December 2024		200,828,001	416,112,564	616,940,565

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2024

	Notes	2024 HK$	2023 HK$
Cash flows from operating activities			
Profit before tax		116,681,516	113,502,675
Adjustments for:			
Interest income from cash and cash equivalents	12	(13,569)	(13,604)
Interest income from fixed deposit	12	(18,848,446)	(14,572,407)
Interest income on investment in bonds	12	(4,957,807)	(3,892,226)
Unrealised gain on financial assets	9	(1,384,687)	(5,571,695)
Unrealised exchange loss		402,124	91,340
Depreciation – plant and equipment	7	151,891	2,268,710
Depreciation – right-of-use asset	15	2,654,459	3,594,880
Interest expense – lease liability	15	267,599	81,166
		94,953,080	**95,488,839**
Increase in reinsurance contract assets		(153,569,127)	(23,632,687)
Decrease/(increase) in prepayments, deposits and other receivables		3,968,938	(5,000,798)
Increase in insurance contracts liabilities		135,196,333	40,607,484
(Decrease)/increase in reinsurance contract liabilities		(935,942)	932,428
Increase in other payables and accruals		112,928	1,498,301
Decrease in amounts due to related parties		(204,216)	(440,522)
Cash generated from operations		**79,521,994**	**109,453,045**
Interest received		13,569	13,604
Interest on fixed deposit received		17,801,947	13,304,144
Interest on bond interest received		4,955,239	3,824,004
Hong Kong profits tax paid		(15,685,562)	(2,279,283)
Net cash flows from operating activities		**86,607,187**	**124,315,514**
Cash flows from investment activities			
Financial assets purchased		(74,083,664)	(51,129,879)
Financial assets redeemed		69,055,646	41,600,290
Decrease in time deposits with original maturity over three months		-	77,951,500
Purchases of items of plant and equipment	7	(286,555)	(50,893)
Net cash flows (used in)/generated from investing activities		**(5,314,573)**	**68,371,018**

STATEMENT OF CASH FLOWS (continued)

For the financial year ended 31 December 2024

	Note	2024 HK$	2023 HK$
Cash flows from financing activity			
Principal portion of lease liability	15	(2,347,775)	(2,751,300)
Net cash flows used in financing activity		**(2,347,775)**	**(2,751,300)**
Net increase in cash and cash equivalents		**78,944,839**	**189,935,232**
Cash and cash equivalents at beginning of year		884,231,316	694,296,084
Cash and cash equivalents at end of financial year		**963,176,155**	**884,231,316**
Analysis of balances of cash and cash equivalents			
Cash and bank balances and time deposits with original maturity within three months		**963,176,155**	**884,231,316**

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Liberty Specialty Markets Hong Kong Limited (the "Company"), incorporated under the Hong Kong Companies Ordinance, is a subsidiary of Liberty UK and Europe Holdings Limited, incorporated in the United Kingdom. In the opinion of the directors, the ultimate holding company of the Company is Liberty Mutual Holding Company Inc., a company incorporated under the laws of Massachusetts in the United States of America.

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Suite 2401-04, 24/F., 1111 King's Road, Tai Koo Shing, Hong Kong.

The principal activity of the Company during the year consisted of the transaction of general insurance business, excluding statutory insurance.

Pursuant to a Business Transfer Agreement dated 31 August 2017, the director of Liberty Mutual Insurance Europe Limited, a subsidiary of Liberty International Holdings Inc., decided to transfer the Hong Kong Branch of the Liberty Mutual Insurance Europe Limited's business, assets and liabilities, with effect from 1 September 2017 to the Company. The Company was granted an insurance license by the Hong Kong Insurance Authority ("HKIA") on 10 May 2017.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These financial statements are presented in Hong Kong dollars ("HK$"), which is also the Company's functional currency, except when otherwise indicated.

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

Income and expense are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures

The Company has adopted the following revised HKFRSs, which are applicable to the Company, for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to HKAS 1	*Non-current Liabilities with Covenants*

The nature and the impact of the revised HKFRSs that are applicable to the Company are described below:

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Company has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Company.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Non-current Liabilities with Covenants

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Company has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Company.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Issued but not yet effective Hong Kong Financial Reporting Standards

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

	Effective for accounting periods beginning on or after
HKFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial and HKFRS 7 Instruments	1 January 2026
Amendments to HKAS 21, Lack of Exchangeability	1 January 2025
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026

Except for the new HKFRS as described below, the Company is in the process of assessing the potential impact of all other revised HKFRSs due to be effective for accounting periods beginning on or after 1 January 2025 in the period of initial application, and the Company does not expect these revised HKFRSs to have a material impact on the Company's financial statements.

HKFRS 18 Presentation and Disclosure in Financial Statements

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 HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs 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.

2.5 Insurance and reinsurance contracts

The Company issues insurance and reinsurance 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. The major classes of general insurance written by the Company include property damage, general liability, pecuniary loss and goods in transit insurance.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

a) Insurance and reinsurance contracts accounting treatment

The Company assesses its insurance and reinsurance contracts issued and reinsurance contracts held to determine whether they contain distinct components which must be accounted for under another HKFRS 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.

Some reinsurance contracts held by the Company contain ceding commission arrangements. Under these arrangements, there is a guaranteed ceding commission. The settlement of this commission occurs at the same time the reinsurance premiums are paid to the reinsurers and therefore these ceding commissions are considered to be part of the reinsurance expense, as the amounts are not contingent on claims.

b) Level of aggregation

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.

The portfolios are further divided into groups of contracts, based on year of issue and profitability, for recognition and measurement purposes. HKFRS 17 requires that no group of insurance contracts, or group of reinsurance contracts held, may contain contracts issued more than one year apart. Within each year of issue, contracts are divided into three groups, as follows:

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

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, whether there is any significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company does not currently characterise any contracts as having no significant possibility of becoming onerous.

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.

c) Recognition

The Company recognises groups of insurance and reinsurance 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; and
- For a group of onerous contracts if facts and circumstances indicate that the group is onerous.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

The Company recognises a group of reinsurance contracts held it has entered into either from the earlier of the beginning of the coverage period of the group of reinsurance contracts held or the date the Company recognises an onerous group of underlying insurance contracts if the Company entered into related reinsurance contracts held at or before that date. 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.

The Company adds new insurance and reinsurance contracts issued and reinsurance contracts held, issued not more than 12 months apart, to the relevant group in the reporting period in which that contract meets one of the criteria set out above.

d) Contract boundary

The Company includes in the measurement of a group of insurance and reinsurance 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; and
- 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.

e) Insurance and reinsurance contracts issued – Initial measurement

The Company applies the PAA to all the insurance and reinsurance contracts that it issues and reinsurance contracts that it holds where the coverage period of each insurance contract issued in the group is one year or less. 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 and/or the asset 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 GMM.

Existing and new products are assessed for PAA eligibility on inception of the contract based on qualitative characteristics, including whether significant variability is expected in the contract cash flows. If they are not expected to be eligible to apply the PAA on that basis, further quantitative testing is performed in order to conclude whether the Company can reasonably expect that applying the PAA would produce a measurement of the liability for remaining coverage for the group of contracts that would not differ materially from one that would be produced applying the GMM.

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;

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

e) Insurance and reinsurance contracts issued – Initial measurement (continued)

- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and
- Plus or minus 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.

Where facts and circumstances indicate that contracts may be onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contracts. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss for the net outflow, resulting in the carrying amount of the liability of remaining coverage 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. That loss component represents 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. Thus, by the end of the coverage period of the group of contracts, the loss component will be reduced to zero.

f) Reinsurance contracts held - Initial measurement

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

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the liability for remaining coverage of the underlying insurance contracts, with an adjustment for non-performance by the reinsurer.

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 expected recovery of losses.

For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Company 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.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts. This ensures the loss-recovery component does not exceed the position 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

g) Insurance and reinsurance contracts issued – 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;
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as in expense in the reporting period;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the services provided in the period; and
- Minus any investment component paid or transferred to the liability for incurred claims, where applicable.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows include those in relation to claims IBNR, claims reported but not yet paid, and anticipated claims handling costs. Claims handling costs include costs that can be directly associated with individual claims, such as legal and professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs. 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 risk adjustment reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of cash flows.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous or has become more or less onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for remaining coverage 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. Movements in the loss component are recognised in insurance service expense.

When measuring the liability for incurred claims, the Company adjusts the expected future cash flows for the time value of money and the effect of financial risk.

h) Reinsurance contracts held – Subsequent measurement

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

The risk of non-performance by the issuer for non-financial risk of the reinsurance contract is assessed at each balance date to ensure that the balances properly reflect the amounts ultimately expected to be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Reinsurance recoveries are discounted to present value using appropriate discount rates.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

i) Insurance acquisition cash flows

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

Where the coverage period of contracts in the group is less than one year, the Company is permitted to choose to recognise insurance acquisition cash flows as expenses when incurred. However, the Company has chosen to include these costs when estimating the insurance contract liability for groups of contracts.

The Company allocates the insurance acquisition cash flows to groups of insurance and reinsurance contracts issued or expected to be issued in accordance with the revenue earnings pattern.

j) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when the rights and obligations relating to the insurance and reinsurance contracts issued are extinguished (i.e., discharged, cancelled or expired) or when 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.

k) Presentation

The Company presents separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance and reinsurance contracts issued that are assets, portfolios of insurance and reinsurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

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

The Company presents reinsurance expense and the amounts expected to be recovered from reinsurers as a single amount on the face of the Statement of Profit or Loss and Other Comprehensive Income.

The Company 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.

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 loss component is included within the liability for remaining coverage on the Statement of Financial Position. The loss-recovery component is included within the asset for remaining coverage. Movements in the loss component are recognised within insurance service expense and movements in the loss-recovery component are included within net expenses from reinsurance contracts held on the Statement of Profit or Loss and Other Comprehensive Income as detailed in Notes 5 and 6.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Insurance and reinsurance contracts (continued)

l) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts 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 of expected premium receipts is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the patterns above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For all periods presented, revenue has been recognised based on the passage of time or on the basis of release of risk pattern, as may be applicable.

m) Insurance finance income/(expense) for insurance and reinsurance contracts issued

Insurance finance income/(expense) for insurance and reinsurance contracts issued 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 does not disaggregate insurance and reinsurance finance income and expense between profit or loss and OCI.

n) Reinsurance finance income/(expense) for reinsurance contracts held

Reinsurance finance income/(expense) for reinsurance contracts held 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 does not disaggregate insurance and reinsurance finance income and expense between profit or loss and OCI.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of 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 plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of 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 plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	10% - 50%
Leasehold Improvements	Over the lease terms

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

2.7 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial and insurance assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Financial assets

a) Initial recognition and measurement

Financial assets are classified, at initial recognition, on the basis on which they are subsequently measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI), and FVTPL. As at 31 December 2024, the Company has not classified any financial assets at FVTOCI.

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 FVTPL, transaction costs. Transaction costs for financial assets held at FVTPL are taken directly to profit or loss.

In order for a financial asset to be classified and measured at amortised cost 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 FVTPL, 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.

A financial asset is classified at FVTPL where, at initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value.

b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost.
- Financial assets at FVTPL.

The Company's financial assets at amortised cost includes cash and cash equivalents and deposits and other receivables. The Company's financial assets at FVTPL includes debt instruments comprising investments in listed government and corporate bonds.

Financial assets at amortised cost

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

b) Subsequent measurement (continued)

The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets designated as at FVTPL

Financial assets at FVTPL 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 and Other Comprehensive Income.

Financial assets so designated are recognised initially at fair value, with transaction costs taken directly to profit or loss, and are subsequently remeasured at fair value. This designation, once made, is irrevocable in respect of the financial asset to which it is made. Gains and losses from changes in the fair value of such financial assets are recognised in profit or loss as they arise. Amounts relating to insurance finance income and expense and reinsurance finance income and expense are included in profit or loss, therefore the Company has made an irrevocable election to designate debt instruments (investments in listed government and corporate bonds) at FVTPL as doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

c) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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.

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). The Company has performed an assessment of non-insurance related financial assets and determined that recognition of an allowance for ECLs is immaterial for the year ended 31 December 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as financial liabilities at amortised cost. As at 31 December 2024, the Company has not classified any financial liabilities at FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include amounts due to related parties, and other payables and accruals.

b) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

2.10 Fair value measurement

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 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.

2.11 Revenue recognition on non-insurance contracts

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Management fees are recognised over the scheduled period on a straight-line basis because the counterparty simultaneously receives and consumes the benefits provided by the Company.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Investment Income

- Interest income is recognised using the EIR method for financial assets measured subsequently at amortised cost; and

- Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Investment income/expenses'.

2.13 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 OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

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

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

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.

2.14 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.15 Employee benefits

a) Paid leave carried forward

The Company provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following years. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

b) Pension schemes

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.16 Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Insurance and reinsurance contracts issued and reinsurance contracts held that generate cash flows in a foreign currency are treated as monetary items.

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

2.17 Cash and cash equivalents

For the purpose of the Statement of Financial Position, cash includes cash and cash equivalents as well as time deposits with original maturity within three months, which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a maturity of generally within three months when acquired; less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at banks.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.18 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.

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.

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Depreciation of right-of-use assets is included in "depreciation of right-of-use assets" in profit and loss. Right-of-use assets are subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivables, 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 terminating 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 expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the US Treasury risk-free rate at the lease commencement date if 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. Interest expense is included in "Finance costs" in profit and loss. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets.

c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 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 or 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 the parent of the Company.

2.20 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash-generating unit level. Intangible assets consist of club membership acquired by the Company. The club membership is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have a significant effect on the amount recognised in the financial statements, apart from those involving estimations and assumptions relating to insurance and reinsurance contacts issued and reinsurance contracts held.

3.2 Key sources of estimation of uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Liability for Remaining Coverage

The key areas of judgement when determining the liability for remaining coverage are as follows.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Other significant judgements that determine the fulfilment cash flows include the discount rate and risk adjustment which are discussed below.

b) Liability for Incurred Claims

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims IBNR at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, the IBNR claims provision forms the majority of the liability recognised in the Statement of Financial Position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim 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 adjustor 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 judgment is used to assess the extent to which past trends may not apply in future (for example 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 conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. The carrying value of insurance contract liabilities at the reporting date is HK$1,120,866,672 of which HK$859,190,329 relates to liability for incurred claims.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation of uncertainty and assumptions (continued)

c) Discount rates

The liability for incurred claims is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

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

	1 year				3 years				10 years			
	2024	**2023**	**2022**	**2021**	**2024**	**2023**	**2022**	**2021**	**2024**	**2023**	**2022**	**2021**
Insurance contract liabilities	4.11%	4.70%	4.64%	0.38%	4.24%	3.95%	4.16%	0.97%	4.55%	3.83%	3.81%	1.52%
Reinsurance contract assets	4.11%	4.70%	4.64%	0.38%	4.24%	3.95%	4.16%	0.97%	4.55%	3.83%	3.81%	1.52%

To the extent there is a significant financing component or indications that contracts may be onerous, the Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk. A significant financing component can arise where the premium due date and the related period of services are more than 12 months apart. This is done using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

d) 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.

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.

e) Impairment of plant and equipment, intangible assets and right-of-use assets

Items of plant and equipment, intangible assets and right-of-use assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation of uncertainty and assumptions (continued)

f) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") 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 they need 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 entity-specific estimates.

g) Deferred tax

Deferred tax is recognised for deductible temporary differences to the extent that it is probably that taxable profit will be available against which the deductible temporary difference can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of the deferred tax assets relating to recognised deductible temporary differences as at 31 December 2024 was HK$5,299,570 (2023: deferred tax liabilities of HK$6,900,566). There is no unrecognised deductible temporary difference as at 31 December 2024 (2023: nil). Further details are disclosed in Note 14 of the financial statements.

4 TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

	Note	2024	2023
		HK$	HK$
Investment Income			
Investment income and expense	12	24,918,703	23,815,743
Foreign exchange gain		16,611,275	1,087,005
Total investment income		**41,529,978**	**24,902,748**
Insurance finance expense for insurance and reinsurance contracts issued		**(22,022,404)**	**(22,107,219)**
Reinsurance finance income from reinsurance contracts held		**10,306,056**	**9,749,070**
Total net investment income, insurance finance expenses and reinsurance finance income		**29,813,630**	**12,544,599**

5 ROLL FORWARD OF INSURANCE CONTRACT LIABILITIES

The roll-forward of the net asset or liability of for insurance and reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

As at 31 December 2024	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component HK$	**Loss component HK$**	**Estimates of future cash flows HK$**	**Risk adjustment HK$**	**Total HK$**
Insurance contract liabilities at 1 January 2024	(223,118,483)	(1,089,602)	(667,812,716)	(93,649,538)	(985,670,339)
Insurance contract assets at 1 January 2024	-	-	-	-	-
Net insurance contract liabilities at 1 January 2024	**(223,118,483)**	**(1,089,602)**	**(667,812,716)**	**(93,649,538)**	**(985,670,339)**
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Insurance revenue	452,867,209	-	-	-	452,867,209
Insurance service expenses					
Incurred claims and other expenses	-	-	(222,740,863)	(25,905,381)	(248,646,244)
Loss on onerous contracts and reversal of those losses	-	(4,584,789)	-	-	(4,584,789)
Amortisation of insurance acquisition cashflows	(112,387,809)	-	-	-	(112,387,809)
Adjustments to liabilities for incurred claims	-	-	(17,610,653)	19,300,809	1,690,156
Insurance service result	340,479,400	(4,584,789)	(240,351,516)	(6,604,572)	88,938,523
Insurance finance income/expense	-	98,306	(22,120,710)	-	(22,022,404)
Effect of movement in exchange rates	2,291,291	3,880	22,259,573	-	24,554,744
Total changes in the Statement of Comprehensive Income	**342,770,691**	**(4,482,603)**	**(240,212,653)**	**(6,604,572)**	**91,470,863**
Cash flows:					
Premiums received (including premium refunds)	(496,346,379)	-	-	-	(496,346,379)
Claims and other expenses paid	-	-	148,975,232	-	148,975,232
Insurance acquisition cash flows	120,590,033	-	-	-	120,590,033
Total cash flows	**(375,756,346)**	**-**	**148,975,232**	**-**	**(226,781,114)**
Other movements[1]			113,918		113,918
Insurance contract liabilities at 31 December 2024	(256,104,138)	(5,572,205)	(758,936,219)	(100,254,110)	(1,120,866,672)
Insurance contract assets at 31 December 2024	-	-	-	-	-
Net insurance contract liabilities at 31 December 2024	(256,104,138)	(5,572,205)	(758,936,219)	(100,254,110)	(1,120,866,672)

[1] Other movements include depreciation and other amounts included in insurance service expenses relating to carrying amounts recognised on the Statement of Financial Position applying accounting standards other than HKFRS 17.

5 ROLL FORWARD OF INSURANCE CONTRACT LIABILITIES (continued)

As at 31 December 2023	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	**Loss component**	**Estimates of future cash flows**	**Risk adjustment**	**Total**
	HK$	**HK$**	**HK$**	**HK$**	**HK$**
Insurance contract liabilities at 1 January 2023	(236,650,052)	(779,048)	(624,378,280)	(83,255,475)	(945,062,855)
Insurance contract assets at 1 January 2023	-	-	-	-	-
Net insurance contract liabilities at 1 January 2023	**(236,650,052)**	**(779,048)**	**(624,378,280)**	**(83,255,475)**	**(945,062,855)**
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Insurance revenue	454,357,002	-	-	-	454,357,002
Insurance service expenses					
Incurred claims and other expenses	-	-	(273,432,800)	(34,632,505)	(308,065,305)
Loss on onerous contracts and reversal of those losses	-	(337,099)	-	-	(337,099)
Amortisation of insurance acquisition cashflows	(107,753,065)	-	-	-	(107,753,065)
Adjustments to liabilities for incurred claims	-	-	123,576,432	24,238,442	147,814,874
Insurance service result	346,603,937	(337,099)	(149,856,368)	(10,394,063)	186,016,407
Insurance finance income/expense	-	30,533	(22,137,752)	-	(22,107,219)
Effect of movement in exchange rates	(110,462)	(3,988)	3,446,624	-	3,332,174
Total changes in the Statement of Comprehensive Income	**346,493,475**	**(310,554)**	**(168,547,496)**	**(10,394,063)**	**167,241,362**
Cash flows:					
Premiums received (including premium refunds)	(441,001,903)	-	-	-	(441,001,903)
Claims and other expenses paid	-	-	123,330,502	-	123,330,502
Insurance acquisition cash flows	108,039,997	-	-	-	108,039,997
Total cash flows	**(332,961,906)**	**-**	**123,330,502**	**-**	**(209,631,404)**
Other movements[1]			1,782,558		1,782,558
Insurance contract liabilities at 31 December 2023	(223,118,483)	(1,089,602)	(667,812,716)	(93,649,538)	(985,670,339)
Insurance contract assets at 31 December 2023	-	-	-	-	-
Net insurance contract liabilities at 31 December 2023	(223,118,483)	(1,089,602)	(667,812,716)	(93,649,538)	(985,670,339)

[1] Other movements include depreciation and other amounts included in insurance service expenses relating to carrying amounts recognised on the Statement of Financial Position applying accounting standards other than HKFRS 17.

6 ROLL FORWARD OF REINSURANCE CONTRACT ASSETS/LIABILITIES

The roll-forward of the net asset or liability of for reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

As at 31 December 2024	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss-recovery component HK$	Loss-recovery component HK$	Estimates of future cash flows HK$	Risk adjustment HK$	Total HK$
Reinsurance contract assets at 1 January 2024	44,508,071	426,009	349,007,063	47,496,289	441,437,432
Reinsurance contract liabilities at 1 January 2024	(2,072,494)	-	439,850	108,913	(1,523,731)
Net reinsurance contract asset at 1 January 2024	42,435,577	426,009	349,446,913	47,605,202	439,913,701
Changes in the Statement of Profit or loss and Other Comprehensive Income					
Reinsurance expenses	(151,140,403)	-	-	-	(151,140,403)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	80,398,305	11,375,618	91,773,923
Loss-recovery on onerous underlying contacts and adjustments	-	309,372	-	-	309,372
Changes to amounts recoverable for incurred claims	-	-	90,663,461	(3,270,231)	87,393,230
Effect of changes in non-performance risk of reinsurers	-	-	(602,877)	-	(602,877)
Net income/(expenses) from reinsurance contracts held	(151,140,403)	309,372	170,458,889	8,105,387	27,733,245
Reinsurance finance income/expense	-	(1,307)	10,307,363	-	10,306,056
Effect of movements in exchange rates	(751,765)	(2,144)	(4,104,055)	-	(4,857,964)
Total changes in the Statement of Comprehensive Income	(151,892,168)	305,921	176,662,197	8,105,387	33,181,337
Cash flows:					
Reinsurance premiums paid	203,107,677	-	-	-	203,107,677
Claims recoveries	-	-	(48,656,797)	-	(48,656,797)
Commissions received	(33,127,148)	-	-	-	(33,127,148)
Total cash flows	169,980,529	-	(48,656,797)	-	121,323,732
Reinsurance contract assets at 31 December 2024	61,111,727	731,930	477,452,313	55,710,589	595,006,559
Reinsurance contract liabilities at 31 December 2024	(587,789)	-	-	-	(587,789)
Net reinsurance contract assets at 31 December 2024	60,523,938	731,930	477,452,313	55,710,589	594,418,770

6 ROLL FORWARD OF REINSURANCE CONTRACT ASSETS/LIABILITIES (continued)

As at 31 December 2023	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss-recovery component HK$	Loss-recovery component HK$	Estimates of future cash flows HK$	Risk adjustment HK$	Total HK$
Reinsurance contract assets at 1 January 2023	87,758,565	530,583	289,965,220	39,550,377	417,804,745
Reinsurance contract liabilities at 1 January 2023	(887,950)	-	246,569	50,078	(591,303)
Net reinsurance contract assets at 1 January 2023	**86,870,615**	**530,583**	**290,211,789**	**39,600,455**	**417,213,442**
Changes in the Statement of Profit or loss and Other Comprehensive Income					
Reinsurance expenses	(136,091,206)	-	-	-	(136,091,206)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	118,654,068	17,787,853	136,441,921
Loss-recovery on onerous underlying contacts and adjustments	-	(81,555)	-	-	(81,555)
Changes to amounts recoverable for incurred claims	-	-	(47,695,753)	(9,783,106)	(57,478,859)
Effect of changes in non-performance risk of reinsurers	-	-	353,946	-	353,946
Net income/(expenses) from reinsurance contracts held	(136,091,206)	(81,555)	71,312,261	8,004,747	(56,855,753)
Reinsurance finance income/expense	-	(25,392)	9,774,462	-	9,749,070
Effect of movements in exchange rates	139,680	2,373	(1,289,864)	-	(1,147,811)
Total changes in the Statement of Comprehensive Income	(135,951,526)	(104,574)	79,796,859	8,004,747	(48,254,494)
Cash flows:					
Reinsurance premiums paid	110,564,912	-	-	-	110,564,912
Claims recoveries	-	-	(20,561,735)	-	(20,561,735)
Commissions received	(19,048,424)	-	-	-	(19,048,424)
Total cash flows	91,516,488	-	(20,561,735)	-	70,954,753
Reinsurance contract assets at 31 December 2023	44,508,071	426,009	349,007,063	47,496,289	441,437,432
Reinsurance contract liabilities at 31 December 2023	(2,072,494)	-	439,850	108,913	(1,523,731)
Net reinsurance contract assets at 31 December 2023	42,435,577	426,009	349,446,913	47,605,202	439,913,701

7 PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$	Leasehold improvement HK$	Total HK$
Cost			
At 1 January 2023	3,072,571	6,188,983	9,261,554
Additions	50,893	-	50,893
Disposal	(277,841)	-	(277,841)
At 31 December 2023 and 1 January 2024	2,845,623	6,188,983	9,034,606
Additions	286,555	-	286,555
At 31 December 2024	3,132,178	6,188,983	9,321,161
Accumulated depreciation			
At 1 January 2023	2,201,571	4,641,737	6,843,308
Disposal	(277,841)	-	(277,841)
Charge for the financial year	721,464	1,547,246	2,268,710
At 31 January 2023 and 1 January 2024	2,645,194	6,188,983	8,834,177
Disposal	-	-	-
Charge for the financial year	151,891	-	151,891
At 31 December 2024	2,797,085	6,188,983	8,986,068
Net book value			
31 December 2023	200,429	-	200,429
31 December 2024	335,093	-	335,093

8 INTANGIBLE ASSETS

	2024 HK$	2023 HK$
Club membership, at cost	2,900,000	-

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK$	2023 HK$
At fair value		
Listed government bonds	138,502,558	140,599,084
Listed corporate bonds	56,550,082	48,442,975
	195,052,640	189,042,059

During the year, the gross gain in respect of the Company's investments in listed government and corporate bonds recognized in profit and loss amount to HK$1,384,687 (2023: HK$5,571,695).

Included in the Company's investments in listed government and corporate bonds were instruments with a carrying value of HK$149,003,692 (2023: HK$125,140,413) which mature beyond 12 months from the end of the reporting period.

10 SHARE CAPITAL

	2024		2023	
	No. of shares	HK$	No. of shares	HK$
Issued and fully paid ordinary shares:				
At beginning of the year	200,829	200,828,001	200,829	200,828,001
Issuance of shares	-	-	-	-
At end of the year	200,829	200,828,001	200,829	200,828,001

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

11 OPERATING EXPENSES

	2024 HK$	2023 HK$
Employee benefits expenses (excluding directors' remuneration (note 18)):		
Wages and salaries	(41,338,461)	(36,225,766)
Other benefits	(3,793,007)	(4,117,784)
Pension scheme contributions	(2,373,169)	(2,253,485)
	(47,504,637)	(42,597,035)
The above includes staff costs directly attributable to insurance and reinsurance contracts	(37,378,838)	(33,321,701)
Other operating expenses consist of:		
Staff costs	(10,125,799)	(9,275,334)
Auditor's remuneration	(3,261,691)	(3,094,296)
Management fee expenses	(14,442,361)	(13,206,114)
Other	(2,452,150)	(3,136,007)
	(30,282,001)	(28,711,751)

12 INVESTMENT INCOME AND EXPENSE

	2024 HK$	2023 HK$
Financial assets at amortised cost		
Effective interest income from time deposits with original maturity within three months	18,848,446	14,572,407
Effective interest income from other cash and cash equivalents	13,569	13,604
Financial assets at FVTPL		
Investment income on financial instruments designated as at FVTPL	6,342,494	9,463,921
Transaction costs	(285,806)	(234,189)
Total investment income and expense	24,918,703	23,815,743

Investment income on bond investments held at FVTPL includes contractual interest income of HK$4,957,807 (2023: HK$3,892,226).

13 INCOME TAX

Hong Kong profit tax has been provided at the rate of 8.25% (2023: 8.25%) on the estimated assessable profits arising in Hong Kong during the year. Under Section 14B and Section 26AB of the Hong Kong Inland Revenue Ordinance ("HKIRO"), the Company is eligible to made the tax election that assessable profits derived from the business as a specific general insurance business as defined under Section 14AB(1) are chargeable at one-half of the rate specific in schedule 8 of the HKIRO. With effective from 19 March 2021, the rate therein is 8.25% (2023: 8.25%).

	2024 HK$	2023 HK$
Current – Hong Kong		
- Charge for the year	19,899,910	4,873,665
- Under/(Over)provision in prior year	2,275	(17,522)
- Deferred tax (Note 14)	(12,200,136)	761,252
	7,702,049	5,617,395

13 INCOME TAX (continued)

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

	2024 HK$	%	2023 HK$	%
Profit before tax	116,681,516		113,502,675	
Income tax at the statutory rate of 16.5%	19,252,450	16.5	18,727,941	16.5
Tax reduction with regards to the application of concessionary rate of 8.25%	(9,626,225)	(8.3)	(9,363,971)	(8.3)
Adjustments in respect of adoption of Insurance Ordinance basis	-	-	(1,714,586)	(1.5)
Income not subject to tax	(2,132,089)	(1.8)	(2,028,710)	(1.8)
Expenses not deductible for tax	205,638	0.2	14,243	-
Under/(Over)provision in prior year	2,275	-	(17,522)	-
Tax charge for the year	7,702,049	6.6	5,617,395	4.9

Pillar Two income taxes

Pillar Two income taxes is expected to be enacted in financial year 2025 in Hong Kong. The Company is in the process of assessing the potential exposure arising from the Pillar Two legislation. Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. The Company continues to progress the assessment and expects to complete the assessment during 2025.

14 DEFERRED TAX

	Accelerated tax depreciation HK$	Others[1] HK$	Total HK$
2024			
At 1 January 2024	94,593	(6,995,159)	(6,900,566)
Deferred tax charged to profit or loss during the year	(108,358)	12,308,494	12,200,136
Deferred tax asset/(liabilities) at 31 December 2024	(13,765)	5,313,335	5,299,570
2023			
At 1 January 2023	14,315	(6,153,629)	(6,139,314)
Deferred tax charged to profit or loss during the year	80,278	(841,530)	(761,252)
Deferred tax asset/(liabilities) at 31 December 2023	94,593	(6,995,159)	(6,900,566)

[1] In the financial statements prepared under HKFRS 17, there are additional deferred tax assets/liabilities recognised as a result of the deductible/taxable temporary differences arisen from the insurance contract balances between local regulatory basis and HKFRS basis.

15 LEASES

The Company has a lease contract for the office premises.

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

	2024 HK$	2023 HK$
At beginning of the year		
Cost	7,963,374	11,970,063
Accumulated depreciation	(663,613)	(9,038,796)
Net carrying amount	7,299,761	2,931,267
At beginning of the year	7,299,761	2,931,267
Additions	-	7,963,374
Expired lease	-	(10,979,563)
Accumulated depreciation written off	-	10,979,563
Depreciation for the year	(2,654,459)	(3,594,880)
At end of the year	4,645,302	7,299,761

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 HK$	2023 HK$
At beginning of the year	8,043,074	2,749,834
Additions	-	7,963,374
Payments	(2,347,775)	(2,751,300)
Finance cost	267,599	81,166
At end of the year	5,962,898	8,043,074
Current	3,356,392	2,080,177
Non-current	2,606,506	5,962,897

The maturity analysis of lease liabilities is disclosed in note 20 to the financial statements.

The impact of lease to the Statement of Profit or Loss and Other Comprehensive Income for the financial year is shown as below:

	2024 HK$	2023 HK$
Depreciation of right-of-use assets	(2,654,459)	(3,594,880)
Finance cost – Interest on lease liabilities	(267,599)	(81,166)
Total expense recognised in profit or loss	(2,922,058)	(3,676,046)

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

a) A portion of the Company's business is represented by transactions with other members of the Liberty group of companies and these financial statements reflect the effect of these transactions on the bases determined within the group. In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

	2024 HK$	**2023 HK$**
Fellow subsidiaries:		
Insurance premiums assumed (included as part of insurance revenue)	726,556	3,868,348
Insurance commission expense (included as part of insurance service expense)	146,955	625,290
Claims paid (included as part of insurance service expense)	299,510	20,014,494
Reinsurance premiums ceded (included as part of net expense from reinsurance contracts held)	200,540,283	143,963,744
Claims recoveries (included as part of net expense from reinsurance contracts held)	70,253,509	38,596,261
Reinsurance commission income (included as part of net expenses from reinsurance contracts held)	40,821,220	18,809,594
Management fee	30,008,133	26,407,414
Other amounts due to related parties	417,243	621,459

Management is of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms agreed between the parties.

b) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. All Directors of the Company are considered as key management personnel. Their remuneration is disclosed below in note 18.

All the amounts outstanding are unsecured and expected to be settled with cash.

17 CASH AND CASH EQUIVALENTS

	2024 HK$	**2023 HK$**
Cash at bank	402,304,155	449,937,316
Time deposits with original maturity within three months	560,872,000	434,294,000
	963,176,155	884,231,316

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for three months, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 383(1) (a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 **HK$**	**2023** **HK$**
Fees	400,000	400,000
Other emoluments	-	-
	400,000	400,000

The aggregate amount of emoluments of the five highest paid directors amounted to HK$400,000 (2023: HK$400,000).

19 AUDITORS' REMUNERATION

Auditors' remuneration for the year, disclosed pursuant to Schedule 4 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosures for Companies not Falling within Reporting Exemption) Regulation, is as follows:

	2024 **HK$**	**2023** **HK$**
Fees	3,261,691	3,094,296
	3,261,691	3,094,296

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its liquidity, credit, interest rate, foreign exchange and insurance risks. The Company's policy is not to engage in speculative transactions.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross claims outflows and expected reinsurance recoveries.

The Company manages its operating cash flows and the availability of funding so as to ensure that repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting year on an undiscounted basis based on contractual maturities or expected repayment dates.

The inherent liquidity risk assumed by the Company in this respect is mitigated by the Company and its ability to obtain cash advance, if necessary, from its holding company and reinsurers.

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Liquidity risk (continued)

As at 31 December 2024

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Insurance and reinsurance contracts issued – Liability for incurred claims (undiscounted)	339,590,309	194,625,757	120,254,627	70,542,659	39,673,006	48,727,338	813,413,696
Other payables and accruals	10,451,531	-	-	-	-	-	10,451,531
Due to related parties	417,243	-	-	-	-	-	417,243
Lease liabilities	3,356,392	2,606,506	-	-	-	-	5,962,898
	353,815,475	197,232,263	120,254,627	70,542,659	39,673,006	48,727,338	830,245,368

As at 31 December 2023

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Insurance and reinsurance contracts issued – Liability for incurred claims (undiscounted)	273,646,243	174,017,876	113,187,903	68,441,619	38,939,524	49,708,749	717,941,914
Other payables and accruals	10,338,603	-	-	-	-	-	10,338,603
Due to related parties	621,459	-	-	-	-	-	621,459
Lease liabilities	2,080,177	3,356,392	2,606,505	-	-	-	8,043,074
	286,686,482	177,374,268	115,794,408	68,441,619	38,939,524	49,708,749	736,945,050

b) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Each financial asset is monitored on an ongoing basis via the Company's management reporting procedures.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position as of the reporting date.

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk (continued)

The following table provides information regarding the credit risk exposure of the Company at 31 December 2024 and 2023 by classifying assets according to the Company's categorisation of counterparties by the Standards & Poor's, Fitch's, Moody's and A.M. Best's credit ratings.

31 December 2024

	AAA HK$	AA HK$	A HK$	BBB HK$	Not rated HK$	Total HK$
Financial assets at FVTPL	1,551,127	133,991,029	16,696,172	42,814,312	-	195,052,640
Reinsurance contract assets	-	22,790,396	556,829,491	-	15,386,672	595,006,559
Cash and cash equivalents	-	963,176,155	-	-	-	963,176,155
Financial assets included in prepayments, deposits and other receivables	16,204	914,970	1,331,642	338,217	1,231,316	3,832,349
Total	1,567,331	1,120,872,550	574,857,305	43,152,529	16,617,988	1,757,067,703

31 December 2023

	AAA HK$	AA HK$	A HK$	BBB HK$	Not rated HK$	Total HK$
Financial assets at FVTPL	1,528,509	136,029,742	16,679,869	34,803,939	-	189,042,059
Reinsurance contract assets	-	30,491,902	411,207,176	-	(261,646)	441,437,432
Cash and cash equivalents	-	-	884,231,316	-	-	884,231,316
Financial assets included in prepayments, deposits and other receivables	16,283	737,332	2,338,206	279,752	3,382,175	6,753,748
Total	1,544,792	167,258,976	1,314,456,567	35,083,691	3,120,529	1,521,464,555

Financial assets that are neither past due nor impaired

Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign exchange rates.

The Company's principal transactions are carried out in Hong Kong dollars and United States dollars. Its exposure to foreign exchange risk arises primarily from some financial assets denominated in United States dollars. The Hong Kong dollar is pegged to the United States dollar. Management believes that this peg will continue in the near future and the impact of currency risk on the Company is minimal. Nevertheless, management will monitor the situation closely and take appropriate action when necessary.

The net unhedged financial assets and liabilities of the Company as at reporting date that are denominated in the functional currency and in other currencies are as follows:

	31 December 2024						
Assets	**HKD**	**USD**	**KRW**	**CNY**	**AUD**	**Others**	**Total**
Financial assets at FVTPL	111,023,573	84,029,067	-	-	-	-	195,052,640
Reinsurance contract assets	58,012,386	485,191,113	40,063,635	2,868,786	1,260,950	7,609,689	595,006,559
Financial assets included in prepayment, deposits and other receivables	2,445,747	1,386,602	-	-	-	-	3,832,349
Cash and cash equivalents	520,791,199	442,384,956	-	-	-	-	963,176,155
	692,272,905	1,012,991,738	40,063,635	2,868,786	1,260,950	7,609,689	1,757,067,703
Liabilities							
Insurance contract liabilities	(294,548,723)	(593,766,920)	(164,915,328)	(10,649,470)	(4,433,966)	(52,552,265)	(1,120,866,672)
Reinsurance contract liabilities	-	(587,789)	-	-	-	-	(587,789)
Due to related parties	-	(412,138)	-	-	(68,060)	62,955	(417,243)
Other payables and accruals	(10,451,531)	-	-	-	-	-	(10,451,531)
	(305,000,254)	(594,766,847)	(164,915,328)	(10,649,470)	(4,502,026)	(52,489,310)	(1,132,323,235)

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Foreign exchange risk (continued)

	31 December 2023						
Assets	**HKD**	**USD**	**KRW**	**CNY**	**AUD**	**Others**	**Total**
Financial assets at fair value through profit or loss	108,315,804	80,726,255	-	-	-	-	189,042,059
Reinsurance contract assets	48,102,316	342,502,656	33,359,225	3,138,317	3,681,396	10,653,522	441,437,432
Financial assets included in prepayment, deposits and other receivables	5,032,585	1,721,163	-	-	-	-	6,753,748
Cash and cash equivalents	475,229,499	409,001,817	-	-	-	-	884,231,316
	636,680,204	833,951,891	33,359,225	3,138,317	3,681,396	10,653,522	1,521,464,555
Liabilities							
Insurance contract liabilities	(249,956,434)	(524,337,968)	(150,402,201)	(12,024,737)	(9,884,556)	(39,064,443)	(985,670,339)
Reinsurance contract liabilities	20,714	(1,574,538)	17,111	6,665	(2,213)	8,530	(1,523,731)
Due to related parties	-	(324,423)	-	-	(297,036)	-	(621,459)
Other payables and accruals	(10,061,252)	(277,351)	-	-	-	-	(10,338,603)
	(259,996,972)	(526,514,280)	(150,385,090)	(12,018,072)	(10,183,805)	(39,055,913)	(998,154,132)

Sensitivity analysis

The following table demonstrates the sensitivity of the Company profit before tax and equity to a reasonably possible change in the US dollar exchange rate against the functional currency of the Company, Hong Kong dollar (HKD).

	Depreciate/(appreciate) in US dollar	(Decrease)/increase on profit before tax HK$	(Decrease)/increase on equity HK$
2024	1%	(4,182,249)	(3,827,213)
	(1%)	4,182,249	3,837,213
2023	1%	(3,074,376)	(2,820,740)
	(1%)	3,074,376	2,820,740

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Interest rate risk

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

The Company has proper investment guidelines in place and is regularly monitored by the holding company to ensure that its exposure to interest rate risk is minimal. The Company invests in companies and financial institutions with sound financial track records. The Company has an investment manager to monitor actively the performance of the Company's investment portfolios on an ongoing basis.

Sensitivity analysis

As at 31 December 2024, if interest rates at that date had been 500 basis points lower with all other variables held constant, the Company's profit for the year and retained earnings would have been increased by HK$4,341,239 (2023: HK$3,570,338).

As at 31 December 2024, if interest rates at that date had been 500 basis points higher with all other variables held constant, the Company profit for the year and retained earnings would have been decreased by HK$4,536,291 (2023: HK$3,759,380).

e) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims payments exceed the carrying amount of insurance contract liabilities. This is influenced by the frequency of claims, severity of claims, and the timing of claims paid.

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

The reinsurance arrangements include surplus, quota share and excess of loss varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying claims and are presented in the Statement of Financial Position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The business of the Company comprises general insurance and reinsurance contracts. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption insurance by industry.

The table below sets out the concentration of net insurance contract liabilities by HKFRS 17 portfolio.

Insurance contract liabilities	**2024**	**2023**
	HK$	**HK$**
Casualty	116,809,019	109,799,029
First Party	6,701,682	3,183,832
Global Products	75,095,686	69,362,055
Specialty Casualty	860,577,191	749,311,228
Other	61,683,094	54,014,195
	1,120,866,672	985,670,339

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Insurance risk (continued)

Reinsurance contract assets, net of reinsurance contract liabilities	**2024**	**2023**
	HK$	**HK$**
First Party	6,869,398	10,224,712
Global Products	39,425,727	55,291,497
Third Party	363,884,876	241,768,160
Whole of Account	176,284,568	120,047,483
Other	7,954,201	12,581,849
	594,418,770	439,913,701

Insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Key assumptions

The measurement process for insurance contract claims liabilities primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. The principal assumption underlying the estimates is that future claims development can be predicted from the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers of each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other assumptions include variation in change in claim patterns and insurance risk factors.

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 potential future legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liability for incurred claims, 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.

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Insurance risk (continued)

31 December 2024

		Profit or loss		Equity	
	Change in assumptions	**Gross HK$**	**Net of reinsurance held HK$**	**Gross HK$**	**Net of reinsurance held HK$**
Initial Expected Loss Ratio	+/-10%	86,458,829	55,708,758	79,325,976	51,112,786
Emergence pattern over 6 months[1]	Faster	(94,136,412)	(58,602,438)	(86,370,158)	(53,767,737)
	Slower	111,491,648	68,172,125	102,293,587	62,547,924
Risk adjustment	+/-5%	37,605,312	16,169,630	34,502,874	14,835,636
Discount rate[2]	+20%	12,656,291	5,863,125	11,612,147	5,379,418
	-20%	(13,044,892)	(6,045,006)	(11,968,688)	(5,546,293)

[1] The emergence pattern sensitivity varies the unreported claims factor for each accident year to assume each accident year requires 6 months more IBNR (slower emergence pattern) or 6 months less IBNR (faster emergence pattern).
[2] Discount rate sensitivities are disclosed as a variation in the actual rate by +/-20%, not as a 20% movement in the rate itself.

31 December 2023

		Profit or loss		Equity	
	Change in assumptions	**Gross HK$**	**Net of reinsurance held HK$**	**Gross HK$**	**Net of reinsurance held HK$**
Initial Expected Loss Ratio	+/-10%	85,221,393	55,622,690	78,190,628	51,033,818
Emergence pattern over 6 months[1]	Faster	(93,470,052)	(56,899,794)	(85,758,723)	(52,205,561)
	Slower	109,557,717	66,090,878	100,519,205	60,638,380
Risk adjustment	+/-5%	33,061,026	17,012,591	30,333,492	15,609,052
Discount rate[2]	+20%	11,880,273	6,365,879	10,900,150	5,840,694
	-20%	(12,219,283)	(6,547,276)	(11,211,192)	(6,007,126)

[1] The emergence pattern sensitivity varies the unreported claims factor for each accident year to assume each accident year requires 6 months more IBNR (slower emergence pattern) or 6 months less IBNR (faster emergence pattern).
[2] Discount rate sensitivities are disclosed as a variation in the actual rate by +/-20%, not as a 20% movement in the rate itself.

20 INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Insurance risk (continued)

Analysis of claims development – Net of reinsurance

The following tables present historical information on the development of claims for accident years from 2019 to present. Information is presented net of reinsurance.

31 December 2024	Prior	2019	2020	2021	2022	2023	2024	Total
Accident year								
Estimate of cumulative claims	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
		79,926,676	124,177,756	126,202,873	135,592,678	134,454,237	119,222,256	
One year later		74,713,529	99,936,114	97,050,580	117,912,556	98,219,704		
Two years later		61,823,085	80,448,212	75,334,666	84,228,715			
Three years later		54,041,143	63,828,576	54,938,685				
Four years later		43,044,444	59,706,189					
Five years later		41,974,050						
Current estimate of cumulative claims	319,598,536	41,974,050	59,706,188	54,938,685	84,228,715	98,219,704	119,222,256	777,888,134
Cumulative payments to date	295,291,281	31,928,414	40,936,188	24,153,824	33,541,263	10,570,596	6,484,106	442,905,672
Net undiscounted liabilities for incurred claims	24,307,255	10,045,636	18,770,000	30,784,861	50,687,452	87,649,108	112,738,150	334,982,462
Reconciliation								
Claims handling expense								16,725,661
Risk adjustment								48,555,850
Discounting								(32,327,848)
Accrued expenses								6,829,984
Reinsurance recoverable								(50,909,045)
Effect of change in non-performance risk of reinsurers								2,170,363
Net liability for incurred claims as per actuarial report and included in the statement of financial position								326,027,427

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$	**Significant observable inputs (Level 2) HK$**	**Significant unobservable inputs (Level 3) HK$**	**Total HK$**
As at 31 December 2024				
Debt securities - quoted	195,052,640	-	-	195,052,640
As at 31 December 2023				
Debt securities - quoted	189,042,059	-	-	189,042,059

The fair value of quoted bonds classified as FVTPL is determined by direct reference to the market price quoted on a stock exchange or active market at the end of reporting year. These instruments are included in Level 1.

During the year, there were no transfers of investments between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: nil).

The carrying amounts of the other financial assets and liabilities that are not listed above approximate their fair values due to their short-term nature.

b) Capital management

The HKIA introduced the Risk-based Capital ("RBC") regime for the Hong Kong insurance industry on 1 July 2024. The RBC regime adopts a three-pillar framework and an assessment approach which is sensitive to an insurer's asset and liability matching, risk appetite and mix of products.

The Company manages as capital its equity as disclosed in the Statement of Financial Position and its regulatory capital calculated from time to time. The primary objective of the Company's capital management is to ensure that it meets the capital requirements as defined in the Hong Kong Insurance Ordinance (Cap.41) (the "Ordinance") and maintains a strong credit rating and healthy capital ratio in order to support its business. The Ordinance requires the Company to maintain a prescribed level of capital adequacy and value assets and liabilities in accordance with the Insurance (Valuation and Capital) Rules (Cap 41R) (Valuation and Capital Rules"), the statutory required capital information will be included in the RBC Pillar 3 disclosure. The Company is required to prepare RBC returns and submit to the HKIA quarterly and the annual regulatory returns will be audited.

The Company manages its capital structure and makes adjustments to it, in light of its overall capital management objectives and of changes in the capital requirement. To maintain or adjust the capital structure, the Company may request additional funding from or return funds to its head office. No changes were made in the objectives, policies or processes during the year ended 31 December 2024.

22 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

Financial assets	2024		
	Financial assets at fair value through profit or loss HK$	**Financial assets at amortised cost HK$**	**Total HK$**
Financial assets at fair value through profit or loss	195,052,640	-	195,052,640
Financial assets included in prepayments, deposits and other receivables	-	3,832,349	3,832,349
Cash and cash equivalents	-	963,176,155	963,176,155
	195,052,640	967,008,504	1,162,061,144

Financial assets	2023		
	Financial assets at fair value through profit or loss HK$	**Financial assets at amortised cost HK$**	**Total HK$**
Financial assets at fair value through profit or loss	189,042,059	-	189,042,059
Financial assets included in prepayments, deposits and other receivables	-	6,753,748	6,753,748
Cash and cash equivalents	-	884,231,316	884,231,316
	189,042,059	890,985,064	1,080,027,123

Financial liabilities	Financial liabilities at amortised costs	
	2024 HK$	**2023 HK$**
Amounts due to related parties	417,243	621,459
Other payables and accruals	10,451,531	10,338,603
	10,868,774	10,960,062

23 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23rd April 2025.