

Report of the Directors and Audited Financial Statements

UNITED BUILDERS INSURANCE COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)

31 December 2025



UNITED BUILDERS INSURANCE COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)

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UNITED BUILDERS INSURANCE COMPANY, LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of United Builders Insurance Company, Limited (the “Company”) for the year ended 31 December 2025.

Principal activity

The principal activity of the Company is the writing of general insurance business classes of accident and health, property damage, general liability and pecuniary loss except those of a long-term nature. Such classes include compulsory or statutorily required insurance businesses.

Results

The results of the Company for the year ended 31 December 2025 are set out in the statement of profit or loss and other comprehensive income on page 6.

Recommended dividend

The directors recommend the payment of a final dividend of HK\$10.25 (2024: HK\$8.15) per ordinary share totaling HK\$15,067,500 in respect of the year subject to the approval of the Insurance Authority (2024: HK\$11,980,500).

Reserves

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 8.

Directors

The directors who held office during the year or from the end of the year to the date of this report were:

Directors

Ho Mun Ming
Chan Bernard Charnwut
Chan Wo Ping
Tse Shu Pui Antonio
Wu Arthur
Wu Shang Tun Mason (Chairman)

Independent non-executive directors

Kwok Tsun Wa
Lau Hon Keung
Tse Cheuk Yin Andrew

In accordance with the Company’s Articles of Association, all directors will retire and, being eligible, will offer themselves for re-election.

UNITED BUILDERS INSURANCE COMPANY, LIMITED

REPORT OF THE DIRECTORS (continued)

Controllers

The controllers of the Company during the year or from the end of the year to the date of this report were:

Forever Joy Investments Limited
Sino Dragon Holdings Limited
Wong Wing Kin Josiah

Arrangements for acquisition of shares or debentures of directors and controllers

At no time during the year was the Company a party to any arrangements to enable 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 company.

Material interests in transactions, arrangements or contracts

After consideration, other than those disclosed in notes 8 and 20 to the financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director or a controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Management contracts

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

Equity-linked agreements

No equity-linked agreements into which the Company entered subsisted at any time during the year.

Statutory insurance

The Company has, during the year, carried on employees' compensation liability business relating to liabilities or risks, in respect of which persons are required by any ordinance to be insured.

Auditor

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

ON BEHALF OF THE BOARD



.....
Wu Shang Tun Mason
Chairman

Hong Kong
27 April 2026

Independent auditor's report
To the members of United Builders Insurance Company, Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of United Builders Insurance Company, Limited (the "Company") set out on pages 6 to 63, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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 and those charged with governance for the financial statements

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

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

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

Independent auditor's report (continued)
To the members of United Builders Insurance Company, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report (continued)

To the members of United Builders Insurance Company, Limited

(Incorporated in Hong Kong with limited liability)

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

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

The engagement partner on the audit resulting in this independent auditor report is Wong Sui Yan (practicing certificate number: P06306)

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Certified Public Accountants
Hong Kong
27 April 2026

UNITED BUILDERS INSURANCE COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Insurance revenue	4, 15(i)	91,401,795	100,272,485
Insurance service expenses	4, 15(i)	<u>(61,344,520)</u>	<u>(102,656,655)</u>
Insurance service result before reinsurance contracts held		<u>30,057,275</u>	<u>(2,384,170)</u>
Net incomes/ (expenses) from reinsurance contracts held	15(ii)	<u>(14,911,019)</u>	<u>4,890,917</u>
Insurance service result		<u>15,146,256</u>	<u>2,506,747</u>
Total investment income	5	47,040,117	38,014,417
Insurance finance expenses for insurance contracts issued	5, 15(i)	(6,414,587)	(3,340,816)
Reinsurance finance income for reinsurance contracts held	5, 15(ii)	<u>1,169,630</u>	<u>658,141</u>
Net insurance financial result		<u>(5,244,957)</u>	<u>(2,682,675)</u>
Other income		1,263,833	546,070
Other expenses		(5,525,032)	(2,506,973)
Finance costs		<u>(45,912)</u>	<u>(26,465)</u>
Profit before tax	6	52,634,305	35,851,121
Income tax expense	7	<u>(3,454,192)</u>	<u>(3,444,299)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>49,180,113</u>	<u>32,406,822</u>

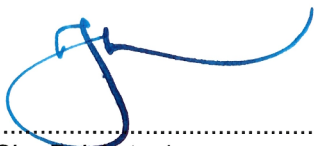
UNITED BUILDERS INSURANCE COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)

STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 HK\$	2024 HK\$
ASSETS			
Property, plant and equipment	9	1,115,014	1,761,624
Right-of-use assets	10	1,010,091	143,326
Statutory deposit	14	100,000,000	110,956,818
Reinsurance contracts assets	15	29,938,748	30,655,712
Financial asset at fair value through profit or loss ("FVPL")	11	185,299,245	148,394,311
Prepayments, deposits and other receivables	12	1,927,495	3,709,804
Time deposits with original maturity over three months	14	66,146,862	104,885,178
Bank balances – clients' accounts	14	-	6,028,340
Cash and cash equivalents	14	169,146,542	102,810,197
TOTAL ASSETS		554,583,997	509,345,310
LIABILITIES			
Insurance contracts liabilities	15	204,454,005	202,169,170
Current tax payable		6,096,355	3,156,833
Other payables and accruals	16	13,674,316	12,261,742
Lease liabilities	17	1,027,184	149,701
Deferred tax liabilities	21	802,140	277,480
TOTAL LIABILITIES		226,054,000	218,014,926
NET ASSETS		328,529,997	291,330,384
EQUITY			
Share capital	18	188,250,000	188,250,000
Retained profits		140,279,997	103,080,384
TOTAL EQUITY		328,529,997	291,330,384

Approved and authorised for issue by the Board of Director on 27 April 2026.


Tse Shu Pui Antonio
Director


Ho Mun Ming
Director

UNITED BUILDERS INSURANCE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Note	Share capital HK\$ (Note 18)	Retained profits HK\$	Total HK\$
Balance as at 1 January 2024		188,250,000	70,673,562	258,923,562
Profit and total comprehensive income for the year		-	32,406,822	32,406,822
Balance as at 31 December 2024 and 1 January 2025		188,250,000	103,080,384	291,330,384
Profit and total comprehensive income for the year		-	49,180,113	49,180,113
Final 2024 dividend paid	13	-	(11,980,500)	(11,980,500)
Balance as at 31 December 2025		188,250,000	140,279,997	328,529,997

UNITED BUILDERS INSURANCE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
OPERATING ACTIVITIES			
Cash generated from operations	19	30,428,869	17,149,856
Interest paid	6	(45,912)	(26,465)
Tax refund/(paid)		<u>9,990</u>	<u>(9,985)</u>
Net cash generated from operating activities		<u>30,392,947</u>	<u>17,113,406</u>
INVESTING ACTIVITIES			
Interest received	5	9,144,112	13,508,241
Dividend received from financial assets at FVPL	5	4,364,913	3,769,015
Proceeds from disposal of financial assets at FVPL		139,157,120	122,145,915
Purchase of financial assets at FVPL		(142,616,677)	(142,322,097)
Placement of time deposits with original maturity more than three months		38,738,316	42,324,401
Purchases of plant and equipment	9	<u>(9,798)</u>	<u>(1,346,214)</u>
Net cash generated from investing activities		<u>48,777,986</u>	<u>38,079,261</u>
FINANCING ACTIVITIES			
Dividend paid	13	(11,980,500)	-
Principal portion of lease payments		<u>(854,088)</u>	<u>(873,536)</u>
Net cash used in financing activities		<u>(12,834,588)</u>	<u>(873,536)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		66,336,345	54,319,131
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>102,810,197</u>	<u>48,491,066</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY CASH AND TIME DEPOSITS WITH ORIGINAL MATURITY WITHIN THREE MONTHS AT BANKS	14	<u>169,146,542</u>	<u>102,810,197</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE INFORMATION

United Builders Insurance Company, Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's registered office is located at Room B, 14/F, Pico Tower, 66 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is the writing of general insurance business classes of accident and health, property damage, general liability and pecuniary loss except those of a long-term nature.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all HKFRS Accounting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as 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 for certain securities and fund investments which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The HKICPA has recently issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transition provisions. The Amendments did not have any impact on the financial position or performance of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

<i>HKFRS 18</i>	<i>Presentation and Disclosure in Financial Statements²</i>
<i>HKFRS 19 and its amendments</i>	<i>Subsidiaries without Public Accountability: Disclosures²</i>
<i>Amendments to HKFRS 9 and HKFRS 7</i>	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

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

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

HKFRS 18 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 HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company's financial statements.

HKFRS 19 Subsidiaries without Public Accountability: Disclosures

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. The Company does not expect it is eligible for application of HKFRS 19 in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

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

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

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

HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

HKAS 7 Statement of Cash Flows: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES

Insurance and reinsurance contracts

(a) Classification

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

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

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

(b) Insurance and reinsurance contracts accounting treatment

(i) Separating components from insurance and reinsurance contracts

The Company assesses its general insurance and reinsurance products 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 issued and reinsurance contracts held contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that will be paid or received – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately.

(ii) Level of aggregation

HKFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company has applied aggregation levels up to line of business.

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

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Level of aggregation (continued)

The Company assumes that no such contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder pricing groups level.

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.

Effective from 1 January 2024, the company reconsidered the application of level of aggregation and moved from individual contract to portfolio basis.

(iii) Recognition

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

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

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

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

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

(iii) Contract boundary

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

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

Or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; 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. Such amounts relate to future insurance contracts.

(c) Measurement – Premium Allocation Approach (“PAA”)

The company applied Premium Allocation Approach (“PAA”) for all contracts to simplify the measurement of groups of contracts, if one of the following criteria is met at inception.

- Whether such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from that produced applying GMM; or
- The coverage period of each contract in the group is one year or less.

(i) Insurance contracts – initial measurement

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group’s expected value, or the probability-weighted mean, of the full

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(c) Measurement – Premium Allocation Approach (continued)

(i) Insurance contracts – initial measurement (continued)

range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

(ii) Reinsurance contracts held – initial measurement

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

(iii) Insurance contracts – subsequent measurement

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

- The Liabilities of Remaining Coverage (“LRC”); and
- The Liabilities of Incurred Claims (“LIC”), comprising the future cash flows related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased for premiums received in the period;
- Decreased for insurance acquisition cash flows paid in the period;
- Decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
- Increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

The Company does not adjust the liabilities for remaining coverage for insurance contracts issued for the effect of the time value of money as insurance premiums is due within the coverage of contracts unless the coverage period is longer than one year.

The Company recognises the liabilities of incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows (“FCF”) relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

(iv) Reinsurance contracts – subsequent measurement

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

- The remaining coverage; and
- The incurred claims, comprising the future cashflow related to past service allocated to the group at the reporting date.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- Increased for ceding premiums paid in the period;
 - Increased for broker fees paid in the period; and
- Decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

(v) Onerous contracts

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the future cash flows determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein

(d) Presentation

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

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

The Company disaggregates the amounts recognised in the statement of profit or loss into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Company disaggregates the change in risk adjustment for non-financial risk between a financial portion in insurance finance income or expense and non-financial portion in insurance service expense, and the entire change as part of the insurance service result.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(i) Insurance revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components).

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

(ii) Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and benefits excluding investment components;
- Other incurred directly attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cashflow relating to the liabilities of incurred claims); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

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

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

(iii) Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(d) Presentation (continued)

(iii) Loss components (continued)

changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(iv) Loss-recovery components

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

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(v) Insurance finance income or expenses

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

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

The Company does not disaggregate insurance finance income or expenses on insurance contracts issued between profit or loss and other comprehensive income. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are fully reflected in profit or loss in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at FVPL. Finance income or expenses on the Company's issued reinsurance contracts is not disaggregated because the related financial assets are also managed on a fair value basis and measured at FVPL.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(d) Presentation (continued)

(v) Insurance finance income or expenses (continued)

The Company systematically evaluates expected total insurance finance income or expenses based on (i) the duration of the group of contracts, (ii) discount rates determined on initial recognition of the group of contracts, and (iii) changes in discount rates between the start and the end of reporting period.

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

- Interest accreted on the liabilities of incurred claims; and
- The effect of changes in interest rates and other financial assumptions

(vi) Net income or expense from reinsurance contracts held

The Company presents on the face of the statement of profit or loss, the net income/(expenses) from reinsurance contracts held. 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, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

Impairment of non-financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight line method, at the annual rate of 10%.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Leases

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

As a Lessee

The Company applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Company accounts for each lease component within a lease contract as a lease separately. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Company that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

- (c) any initial direct costs incurred by the Company; and
- (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Building	Over the shorter of the lease terms and 20 years
----------	--

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Company will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Company remeasures the lease liability using a revised discount rate.

The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the remeasurement in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Financial assets

Financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

(a) Classification and measurement

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Company has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Company's right to receive payment is established.

(b) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership or where control is not retained.

(c) Impairment of financial assets

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

(c) Impairment of financial assets (continued)

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under HKFRS 15 and lease receivables under HKAS 17. For trade receivables and contract assets without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where 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. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

Foreign currency translations

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Employee benefits

The Company operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as and when the contributions fall due.

Deferred tax

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits and/or contributed surplus within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Revenue recognition

Revenue from contracts with customers

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Income items not subject to HKFRS 15 are illustrated as follows:

Dividend income is recognised when the shareholders' right to receive payment has been established.

Interest income, on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Fair value gains on investment at fair value through profit or loss are recognised as unrealised gains and losses which comprise changes in the fair value of financial instruments for the year and from reversal of prior period's unrealised gains and losses for financial instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Company's accounting policies, the management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company has carefully evaluated that the tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

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

(a) Leases – Estimating the incremental borrowing rate ("IBR")

The Company cannot readily determine the interest rate implicit in a lease. It uses HSBC's Hong Kong Dollar best lending rate which was effective at 25 February 2025 as a proxy of 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 it needs to be adjusted to reflect the terms and conditions of the lease.

(b) Liabilities for incurred claims

The Company uses historical claim history to incorporate the various assumptions made in order to estimate the ultimate cost of incurred claims. This method extrapolates the development of incurred claims for each accident year based upon observed development of earlier years and expected loss ratios. The key methods, which remain unchanged from prior years

The actual method or blend of methods used varies by accident year being considered, the class of business and observed historical claims development.

To the extent that this method uses historical claims development information they assume that the historical claims development pattern will occur again in the future. The estimation is of high uncertainty. Such reasons include:

- Changes in processes that affect the development/ recording of claims paid and incurred (such as changes in claim reserving procedures);
- Economic, legal, political and social trends (resulting in different than expected levels of inflation);
- Changes in mix of business; and
- Random fluctuations, including the impact of large losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES(Continued)

(b) Insurance and reinsurance contracts

Discount rates

Insurance contracts liabilities are 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 curve published by European Insurance and Occupational Pensions Authority in the currency of the insurance contracts liabilities.

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

At 31 December 2025

	1 year	2 years	3 years	4 years	5 -10 years
HKD	2.625%	2.562%	2.585%	2.647%	2.722% - 3.101%

At 31 December 2024

	1 year	2 years	3 years	4 years	5 -10 years
HKD	3.885%	3.748%	3.673%	3.611%	3.601% - 3.651%

4. INSURANCE REVENUE AND INSURANCE SERVICE EXPENSES

The table below presents an analysis of the total insurance service result before reinsurance contracts held recognized in the period:

	2025	2024
	HK\$	HK\$
Insurance revenue	91,401,795	100,272,485
Insurance service expenses		
Incurred claims and other directly attributable expenses	(74,989,858)	(93,543,484)
Changes that relate to past service - changes in the FCF relating to the LIC	28,238,509	16,584,243
Losses on onerous contracts and reversal of those losses	4,871,124	(5,059,728)
Insurance acquisition cash flows amortisation	(19,464,295)	(20,637,686)
Total insurance service expense	<u>(61,344,520)</u>	<u>(102,656,655)</u>
Total insurance service result before reinsurance contracts held	<u>30,057,275</u>	<u>(2,384,170)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. TOTAL NET INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

The table below presents an analysis of total net investment income and net insurance finance result recognised in profit or loss in the period:

	2025 Total HK\$	2024 Total HK\$
Total investment income		
Dividend income from listed financial assets at FVPL	4,364,913	3,769,015
Bank interest income	9,144,112	13,508,241
Net fair value gain of financial assets at FVPL	33,445,376	21,010,174
Net foreign exchange income/(expense)	85,716	(273,013)
Total net investment income	47,040,117	38,014,417
Net insurance finance expenses from insurance contracts issued		
Interest accreted to insurance contracts	(2,690,844)	(2,294,391)
Due to changes in interest rates and other financial assumptions	(3,723,743)	(1,046,425)
Total net insurance finance expenses from insurance contracts issued	(6,414,587)	(3,340,816)
Net reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts	441,572	517,057
Effect of changes in interest rates and other financial assumptions	728,058	141,084
Total net reinsurance finance income from reinsurance contracts held	1,169,630	658,141

The Company does not have any gains or losses arising from the derecognition of financial assets measured at amortised cost.

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2025 HK\$	2024 HK\$
Finance costs		
Interest expenses on lease liabilities	45,912	26,465
Employee benefit expenses (including directors' emoluments):		
Salaries, bonus and allowances	10,839,228	9,661,371
Contributions to defined contribution plan	642,408	572,902
	11,481,636	10,234,273
Auditor's remuneration	809,000	867,000
Depreciation		
Plant and equipment (Note 9)	261,633	287,291
Right-of-use assets (Note 10)	864,806	859,944

NOTES TO FINANCIAL STATEMENTS

31 December 2025

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2025 HK\$	2024 HK\$
Current tax	4,944,082	3,156,833
Deferred tax (note 21)	524,660	277,480
(Over)/Under provision in prior years	<u>(2,014,550)</u>	<u>9,986</u>
Tax expense for the year	<u>3,454,192</u>	<u>3,444,299</u>

A reconciliation of the tax credit applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2025 HK\$	2024 HK\$
Profit before tax	<u>52,634,305</u>	<u>35,851,121</u>
Income tax at applicable tax rate of 16.5% (2024: 16.5%)	8,684,660	5,915,435
Non-deductible expenses	343,326	45,155
Income not subject to tax	(3,730,538)	(4,300,165)
One-off tax charge for moving to Hong Kong Risk-based Capital ("HKRBC") basis	-	2,773,769
Temporary differences not previously recognized	148,695	1,506,379
Tax losses utilised not previously recognized	-	(2,360,425)
Adjustments in respect of current tax of previous periods	(2,014,550)	9,986
Other	<u>22,599</u>	<u>(145,835)</u>
Tax expense at the effective rate of 6.56% (2024: 9.61%)	<u>3,454,192</u>	<u>3,444,299</u>

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' EMOLUMENTS

Directors' remuneration 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:

	2025 HK\$	2024 HK\$
Aggregate amount of emoluments received or receivable by:		
the 3 highest paid directors	999,000	817,000
other directors	<u>500,000</u>	<u>400,000</u>
	<u>1,499,000</u>	<u>1,217,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$	Office furniture and fixtures HK\$	Office equipment HK\$	Other equipment HK\$	Total HK\$
Reconciliation of carrying amount – year ended 31 December 2024					
At beginning of year	391,317	35,098	276,286	-	702,701
Additions	299,090	12,000	211,124	824,000	1,346,214
Depreciation	<u>(69,040)</u>	<u>(4,710)</u>	<u>(48,741)</u>	<u>(164,800)</u>	<u>(287,291)</u>
At the end of the reporting year	<u>621,367</u>	<u>42,388</u>	<u>438,669</u>	<u>659,200</u>	<u>1,761,624</u>
Reconciliation of carrying amount – year ended 31 December 2025					
At beginning of year	621,367	42,388	438,669	659,200	1,761,624
Additions	-	-	9,798	-	9,798
Disposals	(335,806)	(21,288)	(37,681)	-	(394,775)
Depreciation	<u>(51,450)</u>	<u>(3,550)</u>	<u>(41,833)</u>	<u>(164,800)</u>	<u>(261,633)</u>
At the end of the reporting year	<u>234,111</u>	<u>17,550</u>	<u>368,953</u>	<u>494,400</u>	<u>1,115,014</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvement HK\$	Office furniture and fixtures HK\$	Office equipment HK\$	Other equipment HK\$	Total HK\$
At 31 December 2024					
Cost	1,289,911	124,718	619,728	824,000	2,858,357
Accumulated depreciation	<u>(668,544)</u>	<u>(82,330)</u>	<u>(181,059)</u>	<u>(164,800)</u>	<u>(1,096,733)</u>
Net carrying amount	<u>621,367</u>	<u>42,388</u>	<u>438,669</u>	<u>659,200</u>	<u>1,761,624</u>
At 31 December 2025					
Cost	326,830	24,110	508,747	824,000	1,683,687
Accumulated depreciation	<u>(92,719)</u>	<u>(6,560)</u>	<u>(139,794)</u>	<u>(329,600)</u>	<u>(568,673)</u>
Net carrying amount	<u>234,111</u>	<u>17,550</u>	<u>368,953</u>	<u>494,400</u>	<u>1,115,014</u>

10. RIGHT-OF-USE ASSETS

	Office premises HK\$
Net carrying amount as at 1 January 2024	1,003,270
Accumulated depreciation	<u>(859,944)</u>
Net carrying amount as at 31 December 2024 and 1 January 2025	143,326
Additions	1,731,571
Accumulated depreciation	<u>(864,806)</u>
Net carrying amount at 31 December 2025	<u>1,010,091</u>

The Company leases office premises for its daily operations with a lease term of two years.

Restrictions or covenants

The lease imposes a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Company and the Company is prohibited from selling or pledging the underlying assets. The Company is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The interest expenses on lease liabilities are set out in note 6 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$	2024 HK\$
Listed securities in Hong Kong	128,045,337	91,174,021
Unlisted investment funds	<u>57,253,908</u>	<u>57,220,290</u>
	<u>185,299,245</u>	<u>148,394,311</u>

As at 31 December 2025, listed equity investments of HK\$128,045,337 (2024: HK\$91,174,021) were classified as financial assets at fair value profit or loss as they are held for trading.

As at 31 December 2025, unlisted investment funds amounting to HK\$57,253,908 (2024: HK\$57,220,290) were mutual funds held by the Company and they were classified as at fair value through profit or loss as their contractual cash flow are not solely payments of principal interest.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$	2024 HK\$
Prepayments, deposits and other receivables	<u>1,927,495</u>	<u>3,709,804</u>

The carrying amounts of deposits and other receivables approximate to their fair values. Other receivables are neither past due nor impaired.

13. DIVIDEND

The proposed final dividend in respect of 2025 of HK\$10.25 per share amounting to HK\$15,067,500 (2024: HK\$8.15 per share amounting to HK\$11,980,500) is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the approval of the Insurance Authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

14. STATUTORY DEPOSIT AND BANK BALANCES AND CASH

	2025 HK\$	2024 HK\$
Bank balances and cash		
Time deposits with original maturity within three months	147,112,494	96,383,787
Cash at banks and in hand	<u>22,034,048</u>	<u>6,426,410</u>
	169,146,542	102,810,197
Clients' accounts	-	6,028,340
Statutory deposit	100,000,000	110,956,818
Time deposits with original maturity over three months	<u>66,146,862</u>	<u>104,885,178</u>
	<u>335,293,404</u>	<u>324,680,533</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between 1 month to 3 months depending on the immediate cash requirement of the Company, and earn interest at the prevailing short-term deposit rates.

The bank balances – clients' accounts represent cash collateral collected from bond policyholders, which will be refunded to them on expiry of the respective insurance policies. In the event that claims are incurred in respect of these policies, the Company could utilise these monies as part of the claims recoveries.

The Company had a time deposit of HK\$100,000,000 (2024: HK\$110,956,818) at 31 December 2025 with a licensed bank in Hong Kong held in the name of "Insurance Authority account United Builders Insurance Company, Limited" as a statutory deposit pursuant to the instruction given by the Insurance Authority under sections 35(1) and 35A of the Hong Kong Insurance Ordinance ("HKIO"). The time deposit can only be released with approval from the Insurance Authority.

15. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance contracts that are in components of insurance contract liabilities and reinsurance contract assets are set out in tables below:

2025	Accident & Health HK\$	Employees Compensation HK\$	General Liability HK\$	Pecuniary Loss HK\$	Property Damage HK\$	Total HK\$
Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows	140,194	176,759,566	19,380,222	989,963	7,184,060	204,454,005
Insurance contract liabilities	<u>140,194</u>	<u>176,759,566</u>	<u>19,380,222</u>	<u>989,963</u>	<u>7,184,060</u>	<u>204,454,005</u>
Reinsurance contract assets excluding other pre-recognition cash flows	69,910	24,820,709	752,501	572,005	3,723,623	29,938,748
Reinsurance contract assets	<u>69,910</u>	<u>24,820,709</u>	<u>752,501</u>	<u>572,005</u>	<u>3,723,623</u>	<u>29,938,748</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE AND REINSURANCE CONTRACTS (continued)

(i) Analysis by remaining coverage and incurred claims of insurance contracts

An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below:

	2025				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets at 1 January 2025	-	-	-	-	
Opening liabilities at 1 January 2025	35,684,846	5,496,168	139,873,608	21,114,548	202,169,170
Net opening balance	35,684,846	5,496,168	139,873,608	21,114,548	202,169,170
Insurance contract revenue:					
Insurance revenue from contracts measured under the PAA	(91,401,795)	-	-	-	(91,401,795)
Insurance service expenses:					
- Incurred claims and other directly attributable expenses	-	-	67,023,483	7,966,375	74,989,858
- Amortisation of insurance acquisition cash flows	19,464,295	-	-	-	19,464,295
- Losses on onerous contracts and reversals of those losses	-	(4,871,124)	-	-	(4,871,124)
- Changes that relate to past service - changes in the FCF relating to the LIC	-	-	(22,211,755)	(6,026,754)	(28,238,509)
Insurance service expenses	19,464,295	(4,871,124)	44,811,728	1,939,621	61,344,520
Insurance service result	(71,937,500)	(4,871,124)	44,811,728	1,939,621	(30,057,275)
Finance expenses from insurance contracts recognised in P&L	-	-	6,414,587	-	6,414,587
Effect of movements in exchange rates	-	-	-	-	-
Total changes in comprehensive income	(71,937,500)	(4,871,124)	51,226,315	1,939,621	(23,642,688)
Cash flows					
- Investment components	-	-	-	-	-
- Premiums received	80,752,051	-	-	-	80,752,051
- Insurance acquisition cash flows	(17,323,764)	-	-	-	(17,323,764)
- Claims and other expenses paid	-	-	(37,500,764)	-	(37,500,764)
Total cash flows	63,428,287	-	(37,500,764)	-	25,927,523
Net closing balance	27,175,633	625,044	153,599,159	23,054,169	204,454,005
Closing assets at 31 December 2025	-	-	-	-	-
Closing liabilities at 31 December 2025	27,175,633	625,044	153,599,159	23,054,169	204,454,005
Net closing balance	27,175,633	625,044	153,599,159	23,054,169	204,454,005

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE AND REINSURANCE CONTRACTS (continued)

(i) Analysis by remaining coverage and incurred claims of insurance contracts (continued)

An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below:

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets at 1 January 2024	(11,763,498)	169,410	5,037,798	(1,475,983)	(8,032,273)
Opening liabilities at 1 January 2024	45,645,589	267,030	105,762,095	17,837,755	169,512,469
Net opening balance	33,882,091	436,440	110,799,893	16,361,772	161,480,196
Insurance contract revenue:					
Insurance revenue from contracts measured under the PAA	(100,272,485)	-	-	-	(100,272,485)
Insurance service expenses:					
- Incurred claims and other directly attributable expenses	-	-	82,493,348	11,050,136	93,543,484
- Amortisation of insurance acquisition cash flows	20,637,686	-	-	-	20,637,686
- Losses on onerous contracts and reversals of those losses	-	5,059,728	-	-	5,059,728
- Changes that relate to past service					
- changes in the FCF relating to the LIC	-	-	(10,286,883)	(6,297,360)	(16,584,243)
Insurance service expenses	20,637,686	5,059,728	72,206,465	4,752,776	102,656,655
Insurance service result	(79,634,799)	5,059,728	72,206,465	4,752,776	2,384,170
Finance expenses from insurance contracts recognised in P&L	-	-	3,340,816	-	3,340,816
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss	(79,634,799)	5,059,728	75,547,281	4,752,776	5,724,986
Cash flows					
- Investment components	-	-	-	-	-
- Premiums received	102,112,950	-	-	-	102,112,950
- Insurance acquisition cash flows	(20,675,396)	-	-	-	(20,675,396)
- Claims and other expenses paid	-	-	(46,473,566)	-	(46,473,566)
Total cash flows	81,437,554	-	(46,473,566)	-	34,963,988
Net closing balance	35,684,846	5,496,168	139,873,608	21,114,548	202,169,170
Closing assets at 31 December 2024	-	-	-	-	-
Closing liabilities at 31 December 2024	35,684,846	5,496,168	139,873,608	21,114,548	202,169,170
Net closing balance	35,684,846	5,496,168	139,873,608	21,114,548	202,169,170

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE AND REINSURANCE CONTRACTS (continued)

(ii) Analysis by remaining coverage and incurred claims of reinsurance contracts held

An analysis of movements in reinsurance contract balances by remaining coverage and incurred claims is set out below:

	2025				Total
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss- recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets at 1 January 2025	(4,452,224)	1,656,983	30,033,501	3,417,452	30,655,712
Opening liabilities at 1 January 2025	-	-	-	-	-
Net opening balance	(4,452,224)	1,656,983	30,033,501	3,417,452	30,655,712
Reinsurance expense:					
- Allocation of reinsurance premiums	(17,460,062)	-	-	-	(17,460,062)
Insurance service expenses:					
- Incurred claims recovery (current service)	-	-	7,620,631	984,775	8,605,406
- Changes that relate to past service - changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	-	-	(4,005,922)	(498,992)	(4,504,914)
- Income on initial recognition and reversal of loss-recovery component of onerous underlying contracts	-	(1,561,861)	-	-	(1,561,861)
- Effect of changes in the risk of reinsurers non-performance	-	-	10,412	-	10,412
Total insurance service expenses recoverable	(17,460,062)	(1,561,861)	3,625,121	485,783	(14,911,019)
Net income/(expenses) from reinsurance contracts held	(17,460,062)	(1,561,861)	3,625,121	485,783	(14,911,019)
Net finance income from reinsurance contracts held recognised in profit or loss	-	-	1,169,630	-	1,169,630
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss	-	-	1,169,630	-	1,169,630
Total amounts recognized in comprehensive income	(17,460,062)	(1,561,861)	4,794,751	485,783	(13,741,389)
Cash flows					
- Investment components	-	-	-	-	-
- Premiums paid net of ceding commissions	20,256,208	-	-	-	20,256,208
- Other directly attributable expenses paid	-	-	-	-	-
- Recoveries from reinsurance	-	-	(7,231,783)	-	(7,231,783)
Total cash flows	20,256,208	-	(7,231,783)	-	13,024,425
Net closing balance	(1,656,078)	95,122	27,596,469	3,903,235	29,938,748
Closing assets at 31 December 2025	(1,656,078)	95,122	27,596,469	3,903,235	29,938,748
Closing liabilities at 31 December 2025	-	-	-	-	-
Net closing balance	(1,656,078)	95,122	27,596,469	3,903,235	29,938,748

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE AND REINSURANCE CONTRACTS (continued)

(ii) Analysis by remaining coverage and incurred claims of reinsurance contracts held
(continued)

	2024				Total
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss- recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets at 1 January 2024	5,818,399	1,077	10,784,825	703,817	17,308,118
Opening liabilities at 1 January 2024	(9,303,201)	-	2,301,353	307,534	(6,694,314)
Net opening balance	(3,484,802)	1,077	13,086,178	1,011,351	10,613,804
Reinsurance expense:					
- Allocation of reinsurance premiums	(17,589,844)	53,472	-	-	(17,536,372)
Insurance service expenses:					
- Incurred claims recovery (current service)	-	-	14,651,609	2,578,239	17,229,848
- Changes that relate to past service - changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	-	-	4,132,454	(263,632)	3,868,822
- Income on initial recognition and reversal of loss-recovery component of onerous underlying contracts	-	1,602,434	-	-	1,602,434
- Effect of changes in the risk of reinsurers non-performance	-	-	(365,309)	91,494	(273,815)
Total insurance service expenses recoverable	-	1,602,434	18,418,754	2,406,101	22,427,289
Net income/(expenses) from reinsurance contracts held	(17,589,844)	1,655,906	18,418,754	2,406,101	4,890,917
Net finance income from reinsurance contracts held recognised in profit or loss	-	-	658,141	-	658,141
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss	-	-	658,141	-	658,141
Total amounts recognized in comprehensive income	(17,589,844)	1,655,906	19,076,895	2,406,101	5,549,058
Cash flows					
- Investment components	-	-	-	-	-
- Premiums paid net of ceding commissions	16,622,422	-	-	-	16,622,422
- Other directly attributable expenses paid	-	-	-	-	-
- Recoveries from reinsurance	-	-	(2,129,572)	-	(2,129,572)
Total cash flows	16,622,422	-	(2,129,572)	-	14,492,850
Net closing balance	(4,452,224)	1,656,983	30,033,501	3,417,452	30,655,712
Closing assets at 31 December 2024	(4,452,224)	1,656,983	30,033,501	3,417,452	30,655,712
Closing liabilities at 31 December 2024	-	-	-	-	-
Net closing balance	(4,452,224)	1,656,983	30,033,501	3,417,452	30,655,712

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE AND REINSURANCE CONTRACTS (continued)

The breakdown of groups of insurance contracts issued and reinsurance contracts held that are in an asset position and those in a liability position is set out in the table below:

	2025			2024		
	Assets HK\$	Liabilities HK\$	Net HK\$	Assets HK\$	Liabilities HK\$	Net HK\$
Insurance contracts issued	-	(204,454,005)	(204,454,005)	-	(202,169,170)	(202,169,170)
Reinsurance contracts held	29,938,748	-	29,938,748	30,655,712	-	30,655,712

16. OTHER PAYABLES AND ACCRUALS

	2025 HK\$	2024 HK\$
Deposits from bond policyholders	8,058,250	6,028,340
Unclaimed dividend payable	1,896,861	1,790,106
Accrued charges	3,719,205	4,443,296
	<u>13,674,316</u>	<u>12,261,742</u>

17. LEASE LIABILITIES

Maturity profile of lease liabilities as at 31 December 2025 and 2024:

	2025 HK\$	2024 HK\$
Within one year	900,000	149,701
After one year but within five years	150,000	-
Lease liabilities (undiscounted)	<u>1,050,000</u>	<u>149,701</u>
Discount amount	(22,816)	(299)
Lease liabilities (discounted)	<u>1,027,184</u>	<u>149,402</u>
Current	<u>900,000</u>	<u>149,701</u>
Non-current	<u>150,000</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

17. LEASE LIABILITIES (continued)

Movements of carrying amounts of lease liabilities for the years ended 31 December 2025 and 2024 and reconciliation of liabilities arising from financing activities:

	HK\$
At 1 January 2024	1,023,236
Interest expense on lease liabilities	26,465
Payments in the changes from financing cash flows	<u>(900,000)</u>
At 31 December 2024 and 1 January 2025	149,701
New leases	1,731,571
Interest expense on lease liabilities	45,912
Payments in the changes from financing cash flows	<u>(900,000)</u>
As at 31 December 2025	<u>1,027,184</u>

Amounts recognised in the statement of profit or loss for the years ended 31 December 2025 and 2024:

	2025 HK\$	2024 HK\$
Depreciation expense of right-of-use assets (Note 6)	864,806	859,944
Interest expense on lease liabilities (Note 6)	<u>45,912</u>	<u>26,464</u>
	<u>910,718</u>	<u>886,408</u>

The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 December 2025 was 4.20% (2024: 4.78%). The Company had total cash outflows for leases of HK\$900,000 for the year ended 31 December 2025 (2024: HK\$900,000).

18. SHARE CAPITAL

	2025 HK\$	2024 HK\$
Issued and fully paid:		
1,470,000 ordinary shares	<u>188,250,000</u>	<u>188,250,000</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

19. CASH GENERATED FROM OPERATIONS

	2025 HK\$	2024 HK\$
Profit before tax	52,634,305	35,851,121
Adjustments for:		
Depreciation	1,126,439	1,147,235
Loss on disposal of PPE	394,775	-
Net fair value gain of financial assets at FVPL	(33,445,377)	(21,010,174)
Interest income from bank deposits	(9,144,112)	(13,508,241)
Interest expenses on lease liabilities	45,912	26,465
Dividend income	(4,364,913)	(3,769,015)
Changes in working capital:		
Deposits, prepayments and other receivables	1,782,309	1,436,342
Insurance contracts assets	-	8,032,273
Reinsurance contracts assets	716,964	(13,347,594)
Statutory deposit	10,956,818	(5,209,987)
Insurance contracts liabilities	2,284,834	32,656,701
Reinsurance contracts liabilities	-	(6,694,314)
Other payables	7,440,915	1,539,044
Cash generated from operations	<u>30,428,869</u>	<u>17,149,856</u>

20. RELATED PARTY TRANSACTIONS

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

		2025 HK\$	2024 HK\$
Related party relationship	Nature of transaction/balance		
Directors of the Company	Gross premium written	<u>6,100</u>	<u>4,300</u>
Related companies controlled by directors of the Company	Premium receivables/(payable) to reinsurers	12,606,528	(3,181,891)
	Claim recovered, net Reinsurance	2,929,379	1,284,926
	premium ceded	(4,697,837)	(2,712,545)
	Insurance commission from reinsurers	1,316,053	769,847
	Premium receivables	231,060	64,631
	Gross premium written	<u>313,024</u>	<u>343,543</u>
Shareholders of the Company	Gross premium written	2,886,129	2,989,161
	Lease expenses paid	<u>900,000</u>	<u>900,000</u>

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21. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Property, plant and equipment HK\$	Adoption of HKRBC HK\$	Total HK\$
At 1 January 2024	-	-	-
Charged to the statement of profit or loss during the year (note 7)	-	277,480	277,480
At 31 December 2024 and 1 January 2025	-	277,480	277,480
Charged to the statement of profit or loss during the year (note 7)	59,062	465,598	524,660
Deferred tax liabilities at 31 December 2025	59,062	743,078	802,140

22. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2025

Financial assets

	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	185,299,245	-	185,299,245
Financial assets included in deposits and other receivables	-	1,927,495	1,927,495
Time deposits with original maturity over three months	-	66,146,862	66,146,862
Cash and cash equivalents	-	169,146,542	169,146,542
	185,299,245	237,220,899	422,520,144

Financial liabilities

	Financial liabilities at amortised cost HK\$
Other payables and accruals	13,674,316

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22. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2024

Financial assets

	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	148,394,311	-	148,394,311
Financial assets included in deposits and other receivables	-	3,709,804	3,709,804
Time deposits with original maturity over three months	-	104,885,178	104,885,178
Cash and cash equivalents	-	108,838,537	108,838,537
	<u>148,394,311</u>	<u>217,433,519</u>	<u>365,827,830</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$
Other payables and accruals	<u>12,261,742</u>

NOTES TO FINANCIAL STATEMENTS

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23. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS

The following table provides the fair value measurement hierarchy of the Company's financial instruments as at 31 December 2025 and 2024:

31 December 2025

Financial assets measured at fair value

	Fair value measurement categorised into			
	Level 1 HK\$	Level 2 HK \$	Level 3 HK \$	Total HK\$
Equity investments at fair value through profit or loss				
- Listed equity investments	128,045,337	-	-	128,045,337
- Unlisted fund investments	-	57,253,908	-	57,253,908
	<u>128,045,337</u>	<u>57,253,908</u>	<u>-</u>	<u>185,299,245</u>

31 December 2024

Financial assets measured at fair value

	Fair value measurement categorised into			
	Level 1 HK\$	Level 2 HK \$	Level 3 HK \$	Total HK\$
Equity investments at fair value through profit or loss				
- Listed equity investments	91,174,021	-	-	91,174,021
- Unlisted fund investments	-	57,220,290	-	57,220,290
	<u>91,174,021</u>	<u>57,220,290</u>	<u>-</u>	<u>148,394,311</u>

The management has assessed that the fair values of cash and bank balances, reinsurance receivables, financial assets included in deposits and other receivables, profit commission payables, financial liabilities included in other payables and accruals approximate their carrying amounts largely due to the short-term maturities of these instruments. The Company did not have any financial liabilities measured at fair value as at 31 December 2025 and 31 December 2024.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS (continued)

The fair value of a financial asset is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company's principal financial instruments comprise financial assets at fair value through profit or loss, cash and bank balances, deposits and other receivables and payables, profit commission payables and other payables and accruals.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk

The Company is exposed to financial risk through its insurance contract liabilities, reinsurance contract assets, financial assets at fair value through profit or loss, bank balances and time deposits, deposits and other receivables, and other payables. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (including market price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The objective of financial risk management is to ensure that Company's overall financial risk is at an acceptable level and that appropriate returns are earned for the level of risk assumed. The management generally adopts conservative strategies on its risk management and limits the Company's exposure to these risks to a minimum. The management reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Price risk

The Company is exposed to market price risks arising from its financial assets at FVPL. The directors manage this exposure by maintaining a portfolio of investments with different risks and different return profiles.

The sensitivity analysis has been determined based on the exposure to market price risk. At the end of the reporting period, if there had been a 5% increase/decrease in market value of the equity securities and unlisted investment fund while all other variables were held constant, the Company's net profit would be increased/decreased by approximately HK\$7,419,716 (2024: net profit would be increased/decreased by approximately HK\$5,360,398) due to changes in fair value of held-for-trading investments.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Price risk (continued)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to market price risk in existence at that date. It is also assumed that the fair values of the Company's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of next annual end of the reporting period.

(ii) Interest rate risk

Interest rate risk is the risk that the Company's position may be adversely affected by a change of market interest rates. It arises from time deposits with banks and financial institutions. The Company mainly invests in time deposits with banks with fixed interest rate, thus, there is no significant interest rate risk exposure in relation to these instruments.

(iii) Foreign currency risk

The Company's foreign currency exposures arise mainly from the exchange rate movements of United States Dollar ("USD") and Renminbi ("RMB") against Hong Kong Dollar ("HKD"). The Company is exposed to risks arising from the exchange rate movements of foreign currency assets held.

As HKD is closely pegged with USD, the currency risk in this respect is considered not significant.

The carrying amounts of the Company's financial assets denominated in HKD are as follows.

	As at 31 December	
	2025 HK\$	2024 HK\$
Bank balances and cash	<u>4,214,520</u>	<u>9,141,492</u>

The following information indicates the approximate change in the Company's net profit/loss in response to reasonably possible changes in the foreign exchange rates to which the Company has significant exposure at the end of the reporting period.

If RMB had weakened/strengthened by 5% against HKD, the Company's net profit for the reporting period would have been approximately increased/decreased by HK\$210,726 (2024: net profit increased/decreased by HK\$457,075).

NOTES TO FINANCIAL STATEMENTS

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Foreign currency risk (continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Company's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period.

(iv) Credit risk

All the Company's cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2025 and 31 December 2024. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2025

	12-month expected credit losses	Lifetime expected credit losses			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	
Statutory deposit	100,000,000				100,000,000
Deposits and other receivables	1,429,829	-	-	-	1,429,829
Time deposits with original maturity over three months	66,146,862	-	-	-	66,146,862
Cash and cash equivalents	<u>169,146,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,146,542</u>
Total	<u>336,723,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,723,233</u>

NOTES TO FINANCIAL STATEMENTS

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk (continued)

At 31 December 2024

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	Total HK\$
Statutory deposit	110,956,818				110,956,818
Deposits and other receivables	3,229,092	-	-	-	3,229,092
Time deposits with original maturity over three months	104,885,178	-	-	-	104,885,178
Bank balances – clients' accounts	6,028,340	-	-	-	6,028,340
Cash and cash equivalents	102,810,197	-	-	-	102,810,197
Total	327,909,625	-	-	-	327,909,625

(v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

The Company's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis):

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

At 31 December 2025	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contract liabilities	51,622,943	38,989,448	30,714,942	22,338,933	14,933,929	18,053,132	176,653,327
At 31 December 2024	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contract liabilities	46,158,617	34,414,717	26,150,426	20,803,544	14,782,521	18,678,331	160,988,156

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

Maturity analysis for financial assets (contractual undiscounted cash flow basis):

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable:

At 31 December 2025	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity investment at fair value through profit or loss	185,299,245	-	-	-	-	-	185,299,245
Prepayments, deposits and other receivables	1,927,495	-	-	-	-	-	1,927,495
Time deposits with original maturity over three months	66,146,862	-	-	-	-	-	66,146,862
Cash and cash equivalents	169,146,542	-	-	-	-	-	169,146,542
	<u>422,520,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,520,144</u>
Total	<u>422,520,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,520,144</u>

At 31 December 2024	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity investment at fair value through profit or loss	148,394,311	-	-	-	-	-	148,394,311
Prepayments, deposits and other receivables	3,709,804	-	-	-	-	-	3,709,804
Time deposits with original maturity over three months	104,885,178	-	-	-	-	-	104,885,178
Cash and cash equivalents	108,838,537	-	-	-	-	-	108,838,537
	<u>365,827,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,827,830</u>
Total	<u>365,827,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,827,830</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis):

Current and non-current assets and liabilities:

The table below summarises the expected utilisation or settlement of assets:

	2025			2024		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Financial assets						
Equity investment at fair value through profit or loss	185,299,245	-	185,299,245	148,394,311	-	148,394,311
Prepayments, deposits and other receivables	1,927,495	-	1,927,495	3,709,804	-	3,709,804
Time deposits with original maturity over three months	66,146,862	-	66,146,862	104,885,178	-	104,885,178
Cash and cash equivalents	169,146,542	-	169,146,542	108,838,537	-	108,838,537
	<u>422,520,144</u>	<u>-</u>	<u>422,520,144</u>	<u>365,827,830</u>	<u>-</u>	<u>365,827,830</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk

The Company issues contracts that transfer insurance risk for accident and health, property damage, general liability and pecuniary loss business. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

(i) *Frequency and severity of claims*

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and type of industry covered.

The frequency and severity of claims can be affected by several factors, such as:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The Company manages these risks through its underwriting strategy, and reinsurance arrangements.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim.

The Company's insurance contracts are mainly protected by excess of loss and proportional reinsurance arrangements with pre-determined retention limits. The reinsurance arrangements spread insured risk to a certain extent and reduce the effect of potential losses to the Company. However, the Company's direct insurance liabilities to the policyholders are not eliminated because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Sensitivity analysis

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

The following sensitivity analysis shows the impact (gross and net of reinsurance) on profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions 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 year.

31 December 2025	Change in assumptions	Impact on liabilities of incurred claims HK\$'000	Impact on profit before income tax HK\$'000
Unpaid Claim expense	+5%	8,833	(8,833)
Unpaid Claim expense	-5%	(8,833)	8,833
Expenses	+5%	810	(810)
Expenses	-5%	(810)	810
31 December 2024	Change in assumptions	Impact on liabilities of incurred claims HK\$'000	Impact on profit before income tax HK\$'000
Unpaid Claim expense	+5%	6,230	(6,230)
Unpaid Claim expense	-5%	(6,230)	6,230
Expenses	+5%	667	(667)
Expenses	-5%	(667)	667

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31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by HKFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Gross undiscounted liability for incurred claims for 2025

Accident year at end of	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	2025 HK\$	Total HK\$
Estimate of ultimate claims costs:							
- at end of reporting year	17,372,806	36,257,422	61,908,388	73,026,176	85,046,886	60,664,646	
- one year later	14,444,793	27,823,280	55,288,963	60,464,449	72,549,961		
- two years later	10,575,540	14,214,777	45,276,350	54,796,606			
- three years later	6,810,983	9,052,353	43,712,491				
- four years later	5,881,803	7,639,882					
- five years later	5,181,672						
Gross estimates of the undiscounted amount of the claims	5,181,672	7,639,882	43,712,491	54,796,606	72,549,961	60,664,646	244,545,258
Cumulative gross payments to date	(4,668,839)	(4,760,712)	(28,777,101)	(24,959,339)	(15,087,448)	(3,516,600)	(81,770,039)
Gross undiscounted liabilities for incurred claims	512,833	2,879,170	14,935,390	29,837,267	57,462,513	57,148,046	162,775,219
Gross insurance claims in respect of years prior to 2020							609,768
Effect of risk adjustment							23,054,169
Effect of discounting							(9,785,828)
Total gross liabilities for incurred claims							<u>176,653,328</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Gross undiscounted liability for incurred claims for 2025

	Note	Estimates of the present value of future cash flows HK\$	Risk adjustment HK\$	Total HK\$
Gross liabilities for incurred claims	15	153,599,159	23,054,169	176,653,328

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Net undiscounted liability for incurred claims for 2025

Accident year at end of	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	2025 HK\$	Total HK\$
Estimate of ultimate claims costs:							
- at end of reporting year	14,483,806	29,459,669	58,112,028	68,163,091	64,146,110	52,608,638	
- one year later	10,817,039	21,758,851	50,271,299	54,251,966	53,702,633		
- two years later	7,768,706	11,917,156	36,483,798	49,281,474			
- three years later	6,579,149	8,168,184	35,677,706				
- four years later	5,804,099	7,115,770					
- five years later	5,150,009						
Net estimates of the undiscounted amount of the claims	5,150,009	7,115,770	35,677,706	49,281,474	53,702,633	52,608,638	203,536,230
Cumulative net payments to date	(4,666,097)	(4,508,856)	(22,444,326)	(21,244,989)	(13,226,226)	(3,594,241)	(69,684,735)
Net undiscounted liabilities for incurred claims	483,912	2,606,914	13,233,380	28,036,485	40,476,407	49,014,397	133,851,495
Net insurance claims in respect of years prior to 2020							321,063
Effect of risk adjustment							19,150,935
Effect of discounting							(8,169,869)
Total net liabilities for incurred claims							<u>145,153,624</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Net undiscounted liability for incurred claims for 2025

	Estimates of the present value of future cash flows HK\$	Risk adjustment HK\$	Total HK\$
Net liabilities for incurred claims	126,002,689	19,150,935	145,153,624

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Gross undiscounted liability for incurred claims for 2024

Accident year at end of	2019 HK\$	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	Total HK\$
Estimate of ultimate claims costs:							
- at end of reporting year	13,265,421	17,372,806	36,257,422	61,908,388	73,026,176	85,046,886	
- one year later	9,163,427	14,444,793	27,823,280	55,288,963	60,464,449		
- two years later	9,824,310	10,575,540	14,214,777	45,276,350			
- three years later	4,902,415	6,810,983	9,052,353				
- four years later	3,480,353	5,881,803					
- five years later	2,945,476						
Gross estimates of the undiscounted amount of the claims	2,945,476	5,881,803	9,052,353	45,276,350	60,464,449	85,046,886	208,667,317
Cumulative gross payments to date	(2,532,606)	(4,661,562)	(4,709,163)	(24,049,483)	(19,087,462)	(4,651,932)	(59,692,208)
Gross undiscounted liabilities for incurred claims	412,870	1,220,241	4,343,190	21,226,867	41,376,987	80,394,954	148,975,109
Gross insurance claims in respect of years prior to 2019							3,632,601
Effect of risk adjustment							21,114,548
Effect of discounting							(12,734,102)
Total gross liabilities for incurred claims							<u>160,988,156</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Gross undiscounted liability for incurred claims for 2024

	Note	Estimates of the present value of future cash flows HK\$	Risk adjustment HK\$	Total HK\$
Gross liabilities for incurred claims	15	<u>139,873,608</u>	<u>21,114,548</u>	<u>160,988,156</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Net undiscounted liability for incurred claims for 2024

Accident year at end of	2019 HK\$	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$	Total HK\$
Estimate of ultimate claims costs:							
- at end of reporting year	11,871,421	14,483,806	29,459,669	58,112,028	68,163,091	64,146,110	
- one year later	9,427,343	10,817,039	21,758,851	50,271,299	54,251,966		
- two years later	7,799,226	7,768,706	11,917,156	36,483,798			
- three years later	4,323,331	6,579,149	8,168,184				
- four years later	3,014,429	5,804,099					
- five years later	2,859,691						
Net estimates of the undiscounted amount of the claims	2,859,691	5,804,099	8,168,184	36,483,798	54,251,966	64,146,110	171,713,848
Cumulative net payments to date	(2,524,681)	(2,952,861)	(4,457,307)	(22,235,158)	(17,992,080)	(4,637,731)	(54,799,818)
Net undiscounted liabilities for incurred claims	335,010	2,851,238	3,710,877	14,248,640	36,259,886	59,508,379	116,914,030
Net insurance claims in respect of years prior to 2019							3,596,564
Effect of risk adjustment							17,697,096
Effect of discounting							(10,670,487)
Total net liabilities for incurred claims							<u>127,537,203</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Insurance risk (continued)

Claims development tables (continued)

Net undiscounted liability for incurred claims for 2024

	Estimates of the present value of future cash flows HK\$	Risk adjustment HK\$	Total HK\$
Net liabilities for incurred claims	109,840,107	17,697,096	127,537,203

NOTES TO FINANCIAL STATEMENTS

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25. CAPITAL MANAGEMENT

The Company's objectives when managing capital are as follows:

- To comply with the capital requirements under the HKRBC Regime;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders; and
- To maintain a strong capital base to support the development of its business.

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain positive capital ratios in order to support its business and maximise shareholders' value.

The Company, as an authorised insurer in Hong Kong, are required by Insurance Authority to meet the Hong Kong Solvency requirements.

The Company fully complied with the externally imposed solvency margin requirements during the reported financial period and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

26. COMPARATIVE AMOUNTS

The presentation and disclosures of certain items and balances in the financial statements have been revised to conform with the current year's presentation.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 April 2026.