

China Reinsurance (Hong Kong) Company
Limited

31 December 2024

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2024.

Principal place of business

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

Principal activities

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

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

Business review

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

Share capital

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

Directors

The directors during the financial year were:

Tian Meipan	(resigned on 20 April 2024)
Luo Yawei	
Zhang Gongming	
Chow Ka Yin	
Mok Kam Sheung	
Zhai Qing Feng	(resigned on 25 February 2025)

The following directors were appointed after the end of the financial year:

Li Ming	(appointed on 25 February 2025)
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There being no provision in the company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

At no time during the year was the company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire

benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Indemnity of directors

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

Directors' interests in transactions, arrangements or contracts

No contracts of significance to which the Company, its holding companies or any of its fellow subsidiaries was a party and in which a director or an individual controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Controllers

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

Tian Meipan (resigned on 20 April 2024)	- Executive Director and General Manager of China Life Reinsurance Company Ltd. and Chairman of the Company
Zhai Qingfeng (appointed on 17 April 2024)	- Director and Deputy General Manager of China Life Reinsurance Company Ltd. and Chairman of the Company
He Chunlei	- Executive Director, Chairman and President of China Reinsurance (Group) Corporation and Chairman of China Life Reinsurance Company Ltd.
Li Ming (appointed on 25 February 2025)	- Chief Executive of the Company
Zhuang Qianzhi	<ul style="list-style-type: none">- Chairman of China Life Reinsurance Company Ltd (approved on 16 March 2023 by the CBIRC, appointed on 17 March by the Company)- Executive Director, President, Vice Chairman of China Reinsurance (Group) Corporation.
China Life Reinsurance Company Ltd.	- Defined as controller by holding more than 15% of the voting power of the Company


Controllers (continued)

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

Auditors

KPMG, being eligible, offer themselves for appointment.

By order of the board



Director



Director

Hong Kong, 28 April 2025



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Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited *(Incorporated in Hong Kong with limited liability)*

Opinion

We have audited the financial statements of China Reinsurance (Hong Kong) Company Limited (the "Company"), which are set out on pages 7 to 79, which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flows for the year then ended and the notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial information as at 31 December 2024 prepared under the Hong Kong Insurance Ordinance, but does not include the financial statements and our auditor's report thereon.



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

(Incorporated in Hong Kong with limited liability)

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

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

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



Independent auditor's report to the members of China Reinsurance (Hong Kong) Company Limited (continued)
(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment 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.

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

Certified Public Accountants

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

28 April 2025

Statement of profit or loss for the year ended 31 December 2024 (Expressed in Hong Kong Dollars)

	Notes	2024 HK\$	2023 HK\$
Operating income			
Insurance revenue	6	968,538,172	1,479,733,499
Investment income	7	2,485,965,830	48,604,170
Exchange (losses)/gains, net		(7,540,676)	123,656,080
Other income		27,844,085	14,770,869
Total income		<u>3,474,807,411</u>	<u>1,666,764,618</u>
Operating Expense			
Insurance service expenses		(705,054,848)	(840,505,576)
Allocation of reinsurance premium paid	8	234,240,948	216,583,083
Amounts recovered from reinsurance contracts		16,082,254	16,261,140
Finance expenses from reinsurance contracts issued	9	(1,433,183,144)	(873,698,355)
Finance income from reinsurance contracts held	9	220,896,417	162,039,503
Net impairment loss on financial assets		3,010,235	410,382,263
Other operating and administrative expenses	10	(64,581,002)	(60,941,808)
Other finance costs		(445,512,558)	(557,418,988)
Total insurance service expenses and others		<u>(2,174,101,698)</u>	<u>(1,527,298,738)</u>
Profit before tax		<u>1,300,705,713</u>	<u>139,465,880</u>
Income tax	11	(93,514,295)	22,398,013
Net profit		<u>1,207,191,418</u>	<u>161,863,893</u>

Statement of comprehensive income for the year ended 31 December 2024 (continued) (Expressed in Hong Kong Dollars)

	Notes	2024 HK\$	2023 HK\$
Other comprehensive income after tax			
Items that will not be transferred to profit or loss:			
Change in the fair value of equity investments at fair value through other comprehensive income		59,186,662	300,467,282
Deferred tax		(22,511,314)	(24,788,551)
Items that may be reclassified subsequently to profit or loss:			
Change in the fair value of debt instruments at fair value through other comprehensive income		(93,660,733)	803,190,555
Financial changes in reinsurance contracts		(141,190,682)	(624,188,033)
Financial changes on ceded reinsurance contracts		57,752,614	16,789,762
Deferred tax		14,610,651	(23,654,010)
Total other comprehensive income after tax		(125,812,802)	447,817,005
Total comprehensive income for the year attributable to shareholder of the Company		1,081,378,616	609,680,898

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of financial position as at 31 December 2024 (Expressed in Hong Kong Dollars)

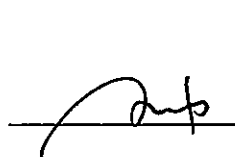
	Notes	31 December 2024 HK\$	31 December 2023 HK\$
Assets			
Cash and cash equivalents	15	923,761,210	854,864,097
Restricted cash	16	251,861,821	516,495,409
Derivative financial assets	23	169,983,171	79,801,945
Financial assets at fair value through profit or loss	14	15,966,373,616	13,066,895,211
Financial assets at amortized cost	14	11,579,469,391	15,040,197,289
Financial assets at fair value through other comprehensive income	14	24,908,527,781	18,858,310,089
Reinsurance contract assets	17	41,168,465	67,654,974
Ceded reinsurance contract assets	17	6,107,917,503	8,416,108,589
Property and equipment	12	242,174	489,813
Right-of-use assets	22	4,723,094	7,485,283
Intangible assets	13	2,054,676	2,149,527
Deferred tax assets	19	98,197,218	199,612,176
Other assets	20	1,364,402,443	1,069,691,247
Total assets		61,418,682,563	58,179,755,649

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of financial position
as at 31 December 2024 (continued)
(Expressed in Hong Kong Dollars)

	Note	31 December 2024 HK\$	31 December 2023 HK\$
Liabilities and equity			
Liabilities			
Derivative financial liabilities	23	472,008,446	337,123,763
Securities sold under agreements to repurchase	25	8,553,451,725	8,597,160,739
Investment contract liabilities	21	1,057,640,327	1,097,198,480
Insurance contract liabilities	17	48,313,582,843	46,240,138,515
Ceded reinsurance contract liabilities	17	8,163,024	3,481
Lease liabilities	22	4,981,319	7,629,773
Other liabilities	25	368,457,461	341,482,096
Total liabilities		58,778,285,145	56,620,736,847
Equity			
Share capital	24	4,000,000,000	4,000,000,000
Reserves		823,195,594	735,330,643
Accumulated losses		(2,182,798,176)	(3,176,311,841)
Total equity		2,640,397,418	1,559,018,802
Total liabilities and equity		61,418,682,563	58,179,755,649

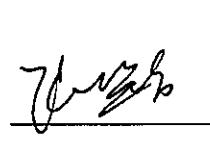
The financial statements on pages 7 to 79 have been approved by the Board of Directors on 28 April 2025 and were signed on its behalf.



Chief executive



Director



Director

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2024 (Expressed in Hong Kong Dollars)

	Share capital HK\$	Attributable to the shareholder of the Company			Total HK\$
		Fair value reserve HK\$	Insurance finance reserve HK\$	Accumulated losses HK\$	
Balance at 1 January 2023	4,000,000,000	(1,645,685,754)	1,933,199,392	(3,215,517,542)	1,071,996,096
Profit for the year	-	-	-	161,863,893	161,863,893
Other comprehensive income:					
Changes in the fair value of debt instrument at FVOCI	-	803,190,555	-	-	803,190,555
Changes in the fair value of equities at FVOCI	-	177,809,090	-	-	177,809,090
Net finance expenses from reinsurance contracts held	-	-	(624,188,033)	-	(624,188,033)
Net finance expenses from reinsurance contracts ceded	-	-	16,789,762	-	16,789,762
Transfer upon disposal of equity investment at FVOCI	-	122,658,192	-	(122,658,192)	-
Deferred tax	-	(91,051,772)	42,609,211	-	(48,442,561)
At 31 December 2023	4,000,000,000	(633,079,689)	1,368,410,332	(3,176,311,841)	1,559,018,802
Balance at 1 January 2024	4,000,000,000	(633,079,689)	1,368,410,332	(3,176,311,841)	1,559,018,802
Profit for the year	-	-	-	1,207,191,418	1,207,191,418
Other comprehensive income:					
Changes in the fair value of debt instrument at FVOCI	-	(93,660,733)	-	-	(93,660,733)
Changes in the fair value of equities at FVOCI	-	59,186,662	-	-	59,186,662
Net finance expenses from reinsurance contracts held	-	-	(141,190,682)	-	(141,190,682)
Net finance expenses from reinsurance contracts ceded	-	-	57,752,614	-	57,752,614
Transfer upon disposal of equity investment at FVOCI	-	213,677,753	-	(213,677,753)	-
Deferred tax	-	(14,784,304)	6,883,641	-	(7,900,663)
At 31 December 2024	4,000,000,000	(468,660,311)	1,291,855,905	(2,182,798,176)	2,640,397,418

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2024 (Expressed in Hong Kong Dollars)

	Notes	2024 HK\$	2023 HK\$
Cash flow from operating activities			
Profit before taxation		1,300,705,713	139,465,880
Adjustments for:			
Depreciation of property and equipment and intangible assets	12,13	799,273	703,807
Depreciation charge of right-of-use assets	10	3,518,441	3,511,557
Interest expenses on lease liabilities	22	361,518	354,798
Dividend income from investments in equity investments	7	(218,257,636)	(387,665,639)
Interest income and other investment income	7	(1,715,801,778)	(1,516,449,798)
Interest expense on repurchase agreement		444,250,409	556,999,213
Investment service fee and accounting fee		118,215,181	88,653,341
Net exchange gain		(83,548,979)	(115,316,528)
Net realised loss on investments	7	497,828,433	1,927,108,533
Net unrealized gain on investments	7	(753,714,793)	(71,597,266)
Reversal of for impairment losses on financial assets		(3,010,235)	(410,382,263)
Operating cash flows before changes in working capital		(408,654,453)	215,385,635
Changes in reinsurance contract assets/liabilities		4,714,749,224	62,901,625
(Decrease)/Increase in investment contract liabilities		(39,558,153)	26,750,133
Increase/(Decrease) in accrual and other payables		38,655,172	(915,626,620)
(Decrease)/Increase in prepayment		(194,276,289)	636,998,722
Net cash generated from operating activities		<u>4,110,915,501</u>	<u>26,409,495</u>

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2024 (continued) (Expressed in Hong Kong Dollars)

	Notes	2024 HK\$	2023 HK\$
Cash flow from investing activities			
Payments for purchase of property and equipment and intangible assets	12,13	(456,783)	(769,425)
Payments for purchase of investments		(56,844,009,853)	(40,791,125,358)
Proceeds from disposals of investments		51,325,810,784	41,217,192,623
Dividends received from investments in equity securities		219,554,802	385,720,357
Interest received		1,614,069,704	1,462,273,472
Investment service fee and accounting fee paid		(108,192,896)	(80,756,696)
Net cash generated (used in)/from investing activities		<u>(3,793,224,242)</u>	<u>2,192,534,973</u>
Cash flow from financing activities			
Lending under repurchase agreements		(43,709,012)	(1,751,573,931)
Interest paid for repurchase agreement		(465,952,499)	(488,718,511)
Cash paid for lease liability	22	(3,766,223)	(3,786,322)
Net cash used in from financing activities		<u>(513,427,734)</u>	<u>(2,244,078,764)</u>
Net decrease in cash and cash equivalents		<u>(195,736,475)</u>	<u>(25,134,296)</u>
Cash and cash equivalents at beginning of year		<u>1,371,359,506</u>	<u>1,396,493,802</u>
Cash and cash equivalents at end of year	15	<u><u>1,175,623,031</u></u>	<u><u>1,371,359,506</u></u>

The notes on pages 14 to 79 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2024

1 Corporate information

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

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

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

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

2 Basis of preparation and material accounting policies

(a) Basis of preparation

- (i) Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Companies Ordinance (“HKCO”)

The financial statements are prepared in accordance with HKFRSs and requirements of the HKCO Cap.622.

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

- (ii) Historical cost convention

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

- (iii) Changes in accounting policies

The company has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current (“2020 amendments”) and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants (“2022 amendments”)

- Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements (the 2020 and 2022 amendments, collectively the “HKAS 1 amendments”)

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

- (iv) New accounting standards and amendments adopted by the company for the first time for the financial year beginning on 1 January 2024

Pillar Two Global Anti-Base Erosion rules

The company is within the scope of the OECD Pillar Two model rules. Pillar Two legislation will be enacted in Hong Kong China, the jurisdiction in which the company is incorporated.

The company is in the process of assessing its exposure to the Pillar Two legislation when it comes into effect. Based on the assessment, the quantitative impact of the enacted or substantively enacted legislation has not yet been reasonably estimated.

(b) Principles accounting policies

2.1 Interest income and dividend income

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

2 Basis of preparation and material accounting policies (continued)

2.2 Impairment of non-financial assets

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

2.3 Current and deferred income tax

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

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

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

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

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

2 Basis of preparation and material accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

2.5 Employee benefits

(a) Short-term obligations

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

2 Basis of preparation and material accounting policies (continued)

(b) Contributions to defined contribution retirement plans

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

(c) Bonus plans

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

2.6 Cash and cash equivalents

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

2.7 Property, plant and equipment

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

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

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

- | | |
|----------------------|-------------|
| • Computer equipment | 3 - 5 years |
| • Office equipment | 3 - 5 years |

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

2 Basis of preparation and material accounting policies (continued)

2.8 Intangible assets

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

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

2.9 Investment and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2 Basis of preparation and material accounting policies (continued)

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Profit or Loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the Statement of Profit or Loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

2 Basis of preparation and material accounting policies (continued)

(d) Impairment

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

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

(i) Measurement of ECL

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

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

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

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

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

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

2 Basis of preparation and material accounting policies (continued)

Definition of investment grade and asset quality classifications

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

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

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

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

Significant increase in credit risk is measured by comparing the average lifetime PD for the remaining term estimated at origination with the equivalent estimation at reporting date. Debt securities and loans and receivables will be in stage 2 if their credit risk increases to the extent that they are no longer considered investment grade. Also, all financial assets are deemed to have suffered a significant increase in credit risk when 60 days past due and the Company will classify those investment grade lower than Cin stage 2 in the initial recognition.

(iv) Credit-impaired (stage 3)

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

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

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

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

(e) Derecognition

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

2 Basis of preparation and material accounting policies (continued)

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

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

2.10 Derivative financial instruments

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

2.11 Share capital

Ordinary shares are classified as equity.

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

2 Basis of preparation and material accounting policies (continued)

2.12 Provisions

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

2.13 Securities sold under agreements to repurchase

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

2.14 Lease

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

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

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

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

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

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

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

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

2 Basis of preparation and material accounting policies (continued)

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

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

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

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

2.15 Related party transactions

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

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

2 Basis of preparation and material accounting policies (continued)

2.16 Insurance Contract

(a) Classification

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

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

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

(b) Combination and separation

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

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

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and
- distinct investment components - i.e. investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

2 Basis of preparation and material accounting policies (continued)

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

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

Insurance Contracts

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

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

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

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

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

Reinsurance contracts held

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

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

2 Basis of preparation and material accounting policies (continued)

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

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

(d) Fulfilment cash flows

Fulfilment cash flows comprise:

Estimates of future cash flows

The estimates of future cash flows:

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

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

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

A risk adjustment for non-financial risk

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

(e) Contract boundary

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

2 Basis of preparation and material accounting policies (continued)

Insurance Contracts

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

A substantive obligation to provide insurance contract services ends when:

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

Reinsurance contracts held

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

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

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

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

(f) Insurance acquisition cash flows

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

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

2 Basis of preparation and material accounting policies (continued)

(g) Measurement

(i) Initial measurement

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

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

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

(ii) Subsequent measurement

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

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

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts.

2 Basis of preparation and material accounting policies (continued)

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

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that: any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

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

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

(iii) Measurement - reinsurance contracts held

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

2 Basis of preparation and material accounting policies (continued)

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

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

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

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

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

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

2 Basis of preparation and material accounting policies (continued)

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

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

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

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

(h) Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

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

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

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

(i) Insurance revenue

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

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

2 Basis of preparation and material accounting policies (continued)

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

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

(ii) Insurance service expenses

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

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

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

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

(iii) Loss components

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

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

2 Basis of preparation and material accounting policies (continued)

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

The Company determined the loss-recovery component by multiplying:

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

(iv) Insurance finance income or expenses

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

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

3 Critical accounting estimates and judgments in applying accounting policies

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

3.1 Classification and significant risk testing of contracts

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

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

3.2 Estimation uncertainty

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

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

(a) Significant insurance risk test

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

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

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

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

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

(b) Estimates of future cash flows

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

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

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

Methodology and assumptions

The discount rate

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

Discount rate assumptions

31 December 2024	3.774%
31 December 2023	3.798%

The probability of insurance event

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

Expense and other assumptions

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

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

Risk adjustments for non-financial risk

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

(c) Investment components

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

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

(d) Fair value of financial instruments

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

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

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

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

(e) Pipeline premium

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

(f) Measurement of ECL

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

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

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

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

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

(g) Deferred tax assets

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

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

4 Insurance and financial risk management

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

4.1 Insurance risk

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

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

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

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

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

4 Insurance and financial risk management (continued)

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

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

Assumptions and sensitivity analysis for life and health insurance contracts:

Major assumptions

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

Sensitivity analysis

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

2024					
	Change in assumptions	Impact of pre-reinsurance on profits before tax	Impact of post-reinsurance on pre-tax profits	Impact on equity before reinsurance	Impact on equity after reinsurance
Mortality and morbidity assumptions	10%	(6,743,626)	(6,741,843)	8,254,907	8,238,239
Mortality and morbidity assumptions	-10%	6,911,354	6,909,573	(9,296,483)	(9,279,815)
Lapse rate assumptions	10%	2,054,865	2,054,208	(11,697,245)	(11,832,956)
Lapse rate assumptions	-10%	(2,048,631)	(2,047,974)	12,710,215	12,846,341
Discount rate (Note)	Increase 50bps	-	-	469,883,468	407,504,187
Discount rate	Decrease 50 bps	-	-	(501,791,542)	(438,395,604)
2023					
	Change in assumptions	Impact of pre-reinsurance on profits before tax	Impact of post-reinsurance on pre-tax profits	Impact on equity before reinsurance	Impact on equity after reinsurance
Mortality and morbidity assumptions	+10%	(6,654,501)	(6,661,630)	(155,953)	(174,168)
Mortality and morbidity assumptions	-10%	6,818,327	6,825,440	(206,196)	(187,993)
Lapse rate assumptions	+10%	2,621,012	2,627,064	(5,155,091)	(5,167,694)
Lapse rate assumptions	-10%	(2,616,870)	(2,622,914)	5,731,376	5,743,992
Discount rate (Note)	Increase 50bps	-	-	451,274,833	374,525,618
Discount rate	Decrease 50 bps	-	-	(487,455,479)	(409,191,972)

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

4 Insurance and financial risk management (continued)

4.2 Financial risk

4.2.1 Credit risk

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

(i) Credit risk management

The cash and cash equivalents are deposited in 6 banks in Hong Kong. The deposit banks are with credit rating of A or above.

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

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

(ii) Expected Credit loss

Parameter for measuring ECL

The Company reference to ECL parameters from recognised independent institutions and credit rating agencies for the impairment assessment. For staging and coupon payment date, Management considers bonds with rating under "CCC" or overdue payment day over 60 days as stage 2 bonds and the bonds with overdue payment day over 180 days as stage 3 bonds.

Adjusted ECL parameter, the adjusted default rate, is equal to the predictable default rate times the deterioration factor for risk of country and risk of sector, Country deterioration factors derived from the ECL report of independent institutions and credit rating agencies, which evaluates the average risk of country PD rate in relation the average PD rate of bond portfolios. Relevant sector deterioration factors derived from ECL report, which evaluates the average risk of sector PD rate for specific country in relation to the average PD rate for this country. Predictable default rate is calculated with forward looking rate. For stage1 and 2 bonds, LGD derived from ECL report and is the average LGD rate for bonds.

4 Insurance and financial risk management (continued)

For credit-impaired financial assets (stage 3 bonds) with individual amount that are relatively significant, the Company mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis.

The Company applied 100% of PD for stage3 bonds considering the deteriorating condition of the issuers. To determine LGD, the Company considered the historical recovery rate of speculative grade bonds in the market, the financial condition of issuers and the availability of collateral to determine the LGD. The Company also took into account that the industry trend and the future performance of issuers.

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

Forward looking information

The assessment of a significant increase in credit risk and the computation of ECL both involve forward-looking information. In assessing the ECL as at 31 December 2024, the Company has taken into account the impact of changes in current economic environment to the ECL model.

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

As at 31 December 2024, the concentration of debt investments by credit rating was: 72% above A rating, 25% above BBB rating, 3% non-investment grade (31 December 2023: 56%. A rating, 40% BBB rating, 4% non-investment grade) Debt investments at FVOCI include listed debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

4 Insurance and financial risk management (continued)

The loss allowance for financial assets as at 31 December 2024 and 31 December 2023 is summarized in below table:

Financial assets at amortised cost	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Loss allowance as at 1 January 2023	9,687,036	-	-	9,687,036
Change in risk parameters	3,288,548	-	-	3,288,548
Disposal of financial assets	(6,506,994)	-	-	(6,506,994)
Loss allowance as at 31 December 2023	6,468,590	-	-	6,468,590
New financial assets originated or purchased	150,034	-	-	150,034
Disposal of financial assets	(2,860,842)	-	-	(2,860,842)
Loss allowance as at 31 December 2024	3,757,782	-	-	3,757,782
Financial asset at fair value through other comprehensive income	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Loss allowance as at 1 January 2023	20,802,547	-	394,642,514	415,445,061
Change in risk parameters	5,400,475	-	-	5,400,475
Disposal of financial assets	(17,921,778)	-	(394,642,514)	(412,564,292)
Loss allowance as at 31 December 2023	8,281,244	-	-	8,281,244
New financial assets originated or purchased	4,128,411	-	-	4,128,411
Disposal of financial assets	(4,427,838)	-	-	(4,427,838)
Loss allowance as at 31 December 2024	7,981,817	-	-	7,981,817
Total loss allowance	11,739,599	-	-	11,739,599

(iii) Credit risk exposure

The Company's maximum exposure to credit risk is the carrying amount of the financial assets in the Statement of Financial Position as at 31 December 2024.

Aging analysis of financial assets

	2024			
	Financial assets due but not impaired			
	No maturity/not due HK\$	Within 1 year HK\$	After 1 year HK\$	Total HK\$
Cash and cash equivalents	923,761,210	-	-	923,761,210
Restricted Cash	251,861,821	-	-	251,861,821
Financial assets at fair value through profit or loss	15,966,373,616	-	-	15,966,373,616
Financial assets at fair value through other comprehensive income	24,908,527,781	-	-	24,908,527,781
Financial assets at amortised cost	11,579,469,391	-	-	11,579,469,391
Derivative instruments	169,983,171	-	-	169,983,171

4 Insurance and financial risk management (continued)

	2023			
	<i>Financial assets due but not impaired</i>			
	<i>No maturity/not due</i> HK\$	<i>Within 1 year</i> HK\$	<i>After 1 year</i> HK\$	<i>Total</i> HK\$
Cash and cash equivalents	854,864,097	-	-	854,864,097
Restricted Cash	516,495,409	-	-	516,495,409
Financial assets at fair value through profit or loss	13,066,895,211	-	-	13,066,895,211
Financial assets at fair value through other comprehensive income	18,858,310,089	-	-	18,858,310,089
Financial assets at amortised cost	15,040,197,289	-	-	15,040,197,289
Derivative instruments	79,801,945	-	-	79,801,945

4.2.2 Market risk

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

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

Interest rate risk

The Company's interest rate risk arises primarily from fixed maturity financial instruments.

	<i>Interest rate change</i>	<i>Impact on profit/(loss) before tax/equity</i>	
		2024 HK\$	2023 HK\$
Fixed maturity debt instruments	+50bp	(831,329,550)	(479,640,707)
Fixed maturity debt instruments	-50bp	831,329,550	479,640,707

Currency risk

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

4 Insurance and financial risk management (continued)

	2024							Total HK\$
	USD HK\$	HKD HK\$	RMB HK\$	MOP HK\$	SGD HK\$	EUR HK\$	JPY HK\$	
Assets								
Cash and cash equivalents	842,527,532	42,988,953	2,311,223	-	35,933,502	-	-	923,761,210
Restricted cash	251,861,821	-	-	-	-	-	-	251,861,821
Financial assets at fair value through profit or loss	14,430,314,568	1,525,504,838	-	-	-	10,554,210	-	15,966,373,616
Financial assets at fair value through other comprehensive income	24,908,527,781	-	-	-	-	-	-	24,908,527,781
Financial assets at amortised cost	11,579,469,391	-	-	-	-	-	-	11,579,469,391
Derivative financial assets	165,443,590	-	2,600,111	-	1,939,470	-	-	169,983,171
Reinsurance contract assets	-	1,839,691	39,328,774	-	-	-	-	41,168,465
Ceded reinsurance contract assets	1,119,302,112	-	4,988,615,391	-	-	-	-	6,107,917,503
Other assets	623,277,067	11,480,882	-	-	729,644,494	-	-	1,364,402,443
Total	53,920,723,862	1,581,814,364	5,032,855,499	-	767,517,466	10,554,210	-	61,313,465,401

	2023							Total HK\$
	USD HK\$	HKD HK\$	RMB HK\$	MOP HK\$	SGD HK\$	EUR HK\$	JPY HK\$	
Assets								
Cash and cash equivalents	752,272,573	79,520,315	23,071,102	-	107	-	-	854,864,097
Restricted cash	516,495,409	-	-	-	-	-	-	516,495,409
Financial assets at fair value through profit or loss	11,579,988,969	1,324,588,143	162,318,099	-	-	-	-	13,066,895,211
Financial assets at fair value through other comprehensive income	18,134,577,099	723,732,990	-	-	-	-	-	18,858,310,089
Financial assets at amortised cost	15,040,197,289	-	-	-	-	-	-	15,040,197,289
Derivative financial assets	79,801,945	-	-	-	-	-	-	79,801,945
Reinsurance contract assets	-	280,106	67,374,868	-	-	-	-	67,654,974
Ceded reinsurance contract assets	1,084,516,303	-	7,331,592,286	-	-	-	-	8,416,108,589
Other assets	494,160,367	1,968,286	-	-	573,562,594	-	-	1,069,691,247
Total	47,682,009,954	2,130,089,840	7,584,356,355	-	573,562,701	-	-	57,970,018,850

4 Insurance and financial risk management (continued)

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

	2023							Total HK\$
	USD HK\$	HKD HK\$	RMB HK\$	MOP HK\$	SGD HK\$	EUR HK\$	JPY HK\$	
Liabilities								
Securities sold under agreements to repurchase	8,597,160,739	-	-	-	-	-	-	8,597,160,739
Ceded reinsurance contract liabilities	-	-	3,481	-	-	-	-	3,481
Reinsurance contract liabilities	29,616,498,922	6,053,948,731	10,008,223,945	359,727,309	201,490,764	248,844	-	46,240,138,515
Investment contract liabilities	141,022,085	956,176,395	-	-	-	-	-	1,097,198,480
Derivative financial liabilities	-	-	335,738,517	-	1,385,246	-	-	337,123,763
Other liabilities	289,031,840	65,240,193	(12,799,825)	-	-	9,888	-	341,482,096
Total	38,643,713,586	7,075,365,319	10,331,166,118	359,727,309	202,876,010	258,732	-	56,613,107,074

4 Insurance and financial risk management (continued)

Currency risk - sensitivity analysis

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

Currency	Changes in exchange rate	Impact on profit before tax		Impact on equity	
		2024 HK\$	2023 HK\$	2024 HK\$	2023 HK\$
USD	+5%	758,170,770	289,261,512	874,525,505	451,914,816
USD	-5%	(758,170,770)	(289,261,512)	(874,525,505)	(451,914,816)
RMB	+5%	(589,944,299)	(137,340,489)	(589,944,299)	(137,340,489)
RMB	-5%	589,944,299	137,340,489	589,944,299	137,340,489

Equity price risk,

The equity securities which the Company carries on the balance at fair value, has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

Currency	Changes in exchange rate	Impact on profit before tax		Impact on equity	
		2024 HK\$	2023 HK\$	2024 HK\$	2023 HK\$
Equity	+10%	522,975,951	214,578,201	522,975,951	286,951,500
Securities	-10%	(522,975,951)	(214,578,201)	(522,975,951)	(286,951,500)

Liquidity risk

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

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

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

4 Insurance and financial risk management (continued)

(a) Excluding insurance

31 December 2024					
	Within 1 year or undated HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$	Total HK\$
Assets					
Cash and cash equivalents	923,761,210	-	-	-	923,761,210
Restricted cash	251,861,821	-	-	-	251,861,821
Financial assets at fair value through profit or loss	5,673,061,485	511,607,971	2,399,409,034	24,293,831,715	32,877,910,205
Financial assets at fair value through other comprehensive income	896,852,279	1,178,235,167	4,324,241,397	17,208,094,126	23,607,422,969
Financial assets at amortised cost	667,796,237	1,800,816,415	1,632,981,330	173,252,460	4,274,846,442
Derivative financial assets	26,028,013	-	143,955,158	-	169,983,171
Other assets	1,364,402,443	-	-	-	1,364,402,443
Total	9,803,763,488	3,490,659,553	8,500,586,919	41,675,178,301	63,470,188,261

31 December 2023					
	Within 1 year or undated HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$	Total HK\$
Assets					
Cash and cash equivalents	854,864,097	-	-	-	854,864,097
Restricted cash	516,495,409	-	-	-	516,495,409
Financial assets at fair value through profit or loss	6,033,693,734	2,151,293,935	3,917,100,134	3,715,605,937	15,817,693,740
Financial assets at fair value through other comprehensive income	3,876,056,484	4,826,409,367	7,602,042,394	9,003,521,487	25,308,029,732
Financial assets at amortised cost	2,391,660,075	3,685,910,896	9,645,274,631	966,597,442	16,689,443,044
Derivative financial assets	-	5,550,142	74,251,803	-	79,801,945
Other assets	1,069,691,247	-	-	-	1,069,691,247
Total	14,742,461,046	10,669,164,340	21,238,668,962	13,685,724,866	60,336,019,214

4 Insurance and financial risk management (continued)

31 December 2024					
	Within 1 year or undated HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$	Total HK\$
Liabilities					
Securities sold under					
agreements to repurchase	8,553,451,725	-	-	-	8,553,451,725
Derivative financial liabilities	5,962,582	-	463,416,006	2,629,858	472,008,446
Lease liabilities	3,987,765	1,185,252	-	-	5,173,017
Other liabilities	368,457,461	-	-	-	368,457,461
Total	8,931,859,533	1,185,252	463,416,006	2,629,858	9,399,090,649

31 December 2023					
	Within 1 year or undated HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$	Total HK\$
Liabilities					
Securities sold under					
agreements to repurchase	8,597,160,739	-	-	-	8,597,160,739
Derivative financial liabilities	81,681,143	-	255,442,620	-	337,123,763
Lease liabilities	3,544,680	3,544,680	1,053,558	-	8,142,918
Other liabilities	341,482,096	-	-	-	341,482,096
Total	9,023,868,658	3,544,680	256,496,178	-	9,283,909,516

4 Insurance and financial risk management (continued)

(b) Insurance

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

4 Insurance and financial risk management (continued)

	31 December 2023						
	Within 1 year HK\$	1 to 2 years HK\$	2 to 3 years HK\$	3 to 4 years HK\$	4 to 5 years HK\$	More than 5 years HK\$	Total HK\$
Undiscounted remaining net contractual cash flows arising from insurance contract assts	304,572,101	184,821,991	96,816,710	91,794,386	87,020,695	1,068,709,951	1,833,735,834
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	304,572,101	184,821,991	96,816,710	91,794,386	87,020,695	1,068,709,951	1,833,735,834
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract assets	3,834,985,416	331,028,249	1,894,583,910	3,496,144,503	-	-	9,556,742,078
Total	4,139,557,517	515,850,240	1,991,400,620	3,587,938,889	87,020,695	1,068,709,951	11,390,477,912
Undiscounted remaining net contractual cash flows arising from insurance contract liabilities	22,340,907,649	6,894,615,371	6,405,544,169	3,573,560,790	1,301,172,194	11,293,935,776	51,809,735,949
Including: Primary insurance contracts	-	-	-	-	-	-	-
Reinsurance contracts	22,340,907,649	6,894,615,371	6,405,544,169	3,573,560,790	1,301,172,194	11,293,935,776	51,809,735,949
Undiscounted remaining net contractual cash flows arising from ceded reinsurance contract liabilities	3,481	-	-	-	-	-	3,481
Total	22,340,911,130	6,894,615,371	6,405,544,169	3,573,560,790	1,301,172,194	11,293,935,776	51,809,739,430

5 Capital management

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

6 Insurance revenue

	2024 HK\$	2023 HK\$
Contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised in profit or loss	463,685,855	632,477,620
- Changes in risk adjustment for non-financial risk	20,700,974	53,011,996
- Expected incurred claims and other insurance service expenses	259,607,854	1,175,776,426
- Experience adjustments for premium receipts	260,023,540	(346,751,906)
Amortisation of insurance acquisition cash flows	(35,480,051)	(34,780,637)
Subtotal of contracts not measured under the PAA	968,538,172	1,479,733,499
Contracts measured under the PAA	-	-
Insurance revenue	968,538,172	1,479,733,499

7 Investment income

	2024 HK\$	2023 HK\$
Interest income		
Current and time deposit	62,953,299	45,587,978
Financial assets at fair value through other comprehensive income and amortised costs	1,199,854,400	1,026,210,619
Subtotal	1,262,807,699	1,071,798,597
Other investment income		
Financial assets at fair value through profit or loss	452,994,079	444,651,201
Subtotal	452,994,079	444,651,201
Dividend income		
- Listed equity investments	49,780,059	186,050,051
- Equity perpetual bonds	146,323,942	197,131,715
- Others	22,153,635	4,483,873
Subtotal	218,257,636	387,665,639
Realised losses		
Investments in financial assets	(378,613,321)	(1,860,606,593)
Derivative instruments	(119,215,112)	(66,501,940)
Subtotal	(497,828,433)	(1,927,108,533)
Unrealised gains/(losses)		
Financial assets at fair value through profit or loss		
- Debt instruments	323,196,780	404,981,416
- Equity investments	401,102,587	16,976,782
- Investment contract assets	296,020,056	-
- Others	29,415,426	(350,360,932)
Subtotal	1,049,734,849	71,597,266
Total	2,485,965,830	48,604,170

8 Allocation of reinsurance premium paid

	2024 HK\$	2023 HK\$
Contracts not measured under the PAA:		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised in profit or loss	188,445,227	232,433,162
- Changes in risk adjustment for non-financial risk	(852)	(1,559)
- Expected claims and other expenses recovery	(16,360,763)	(15,846,590)
- Experience adjustments for premium ceded	62,157,336	(1,930)
Subtotal of contracts not measured under the PAA	<u>234,240,948</u>	<u>216,583,083</u>
Total allocation of reinsurance premiums paid	<u><u>234,240,948</u></u>	<u><u>216,583,083</u></u>

9 Insurance finance income and expenses

	2024 HK\$	2023 HK\$
Finance expenses from reinsurance contracts issued		
Interest on insurance contracts under current financial assumptions	-	-
Interest on insurance contracts at locked-in rate	(1,432,444,187)	(976,651,330)
Changes in interest rates and other financial assumptions	(141,190,683)	(624,188,033)
Exchange (losses)/gains, net	<u>(738,956)</u>	<u>102,952,975</u>
Total finance expenses from reinsurance contracts issued	<u><u>(1,574,373,826)</u></u>	<u><u>(1,497,886,388)</u></u>
Including:		
Recognised in profit or loss	(1,433,183,144)	(873,698,355)
Recognised in other comprehensive income	(141,190,682)	(624,188,033)
Finance income from reinsurance contracts held:		
Interest on insurance contracts under current financial assumptions	-	-
Interest on reinsurance contracts at locked-in rate	214,813,536	267,156,847
Changes in interest rates and other financial assumptions	57,752,614	16,789,762
Exchange losses, net	<u>6,082,881</u>	<u>(105,117,344)</u>
Total finance income from reinsurance contracts held	<u><u>278,649,031</u></u>	<u><u>178,829,265</u></u>
Including:		
Recognised in profit or loss	220,896,417	162,039,503
Recognised in other comprehensive income	57,752,614	16,789,762

10 Other operating administrative expenses

	2024 HK\$	2023 HK\$
Investment management fees	108,508,607	80,058,050
Accounting fee	9,706,574	8,595,291
Interest credited to investment contracts	39,987,852	26,409,110
	<hr/>	<hr/>
Total other operating costs	158,203,033	115,062,451
	<hr/>	<hr/>
Auditors' remuneration	990,350	1,365,480
Depreciation	799,273	703,807
Depreciation of right-of-use assets	3,518,441	3,511,557
Office rental expenses	851,908	806,994
Salaries, wages and other benefits	25,001,438	7,830,452
Other legal and professional fees	3,852,896	3,737,493
Other administrative expenses	7,070,254	9,714,124
	<hr/>	<hr/>
Total administrative expenses	42,084,560	27,669,907
	<hr/>	<hr/>
Less: Expenses directly attributed to insurance contracts	(135,706,591)	(81,790,550)
	<hr/>	<hr/>
Total other operating costs and administrative expenses	64,581,002	60,941,808
	<hr/>	<hr/>

11 Income tax

Taxation in the statement of comprehensive income represents:

	2024 HK\$	2023 HK\$
Total current tax expense	-	-
Income tax - deferred tax:		
Temporary difference attributable to the loss before tax for the period	93,514,295	(22,398,013)
	<hr/>	<hr/>
Total tax effect to the income statement for the year	93,514,295	(22,398,013)
	<hr/>	<hr/>

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

11 Income tax (continued)

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

	2024 HK\$	2023 HK\$
Profit before taxation	1,300,705,713	139,465,880
Tax provided on the applicable tax rate (2024 & 2023: 8.25%)	107,308,221	11,505,935
Adjustment of income tax in prior year	(13,793,926)	(33,903,948)
Income tax credit	93,514,295	(22,398,013)

12 Property and equipment

	Computer equipment HK\$	Office equipment HK\$	Total HK\$
Cost			
At 1 January 2024	873,845	239,469	1,113,314
At 31 December 2024	873,845	239,469	1,113,314
Depreciation			
At 1 January 2024	(511,273)	(112,228)	(623,501)
Charges for the year	(202,140)	(45,499)	(247,639)
At 31 December 2024	(713,413)	(157,727)	(871,140)
Net book values			
At 31 December 2024	160,432	81,742	242,174

12 Property and equipment (continued)

	<i>Computer equipment HK\$</i>	<i>Office equipment HK\$</i>	<i>Total HK\$</i>
Cost			
At 1 January 2023	704,395	239,469	943,864
Additions	169,450	-	169,450
	<hr/>	<hr/>	<hr/>
At 31 December 2023	873,845	239,469	1,113,314
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2023	(308,368)	(66,729)	(375,097)
Charges for the year	(202,905)	(45,499)	(248,404)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	(511,273)	(112,228)	(623,501)
	<hr/>	<hr/>	<hr/>
Net book values			
At 31 December 2023	362,572	127,241	489,813
	<hr/>	<hr/>	<hr/>

13 Intangible assets

	<i>Construction in progress HK\$</i>	<i>Software HK\$</i>	<i>Total HK\$</i>
Cost			
At 1 January 2024	474,538	2,440,348	2,914,886
Additions	446,878	9,905	456,783
Transfer upon completion	(526,924)	526,924	-
	<hr/>	<hr/>	<hr/>
At 31 December 2024	394,492	2,977,177	3,371,669
	<hr/>	<hr/>	<hr/>
Accumulated amortisation			
At 1 January 2024	-	(765,359)	(765,359)
Charges for the year	-	(551,634)	(551,634)
	<hr/>	<hr/>	<hr/>
At 31 December 2024	-	(1,316,993)	(1,316,993)
	<hr/>	<hr/>	<hr/>
Net book values			
At 31 December 2024	394,492	1,660,184	2,054,676
	<hr/>	<hr/>	<hr/>

13 Intangible assets (continued)

	<i>Construction in progress</i> HK\$	<i>Software</i> HK\$	<i>Total</i> HK\$
Cost			
At 1 January 2023	139,329	2,175,582	2,314,911
Additions	509,002	90,973	599,975
Transfer upon completion	(173,793)	173,793	-
At 31 December 2023	<u>474,538</u>	<u>2,440,348</u>	<u>2,914,886</u>
Accumulated amortisation			
At 1 January 2023	-	(309,956)	(309,956)
Charges for the year	-	(455,403)	(455,403)
At 31 December 2023	<u>-</u>	<u>(765,359)</u>	<u>(765,359)</u>
Net book values			
At 31 December 2023	<u>474,538</u>	<u>1,674,989</u>	<u>2,149,527</u>

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

14 Financial instruments

	2024					
	<i>Measured at fair value through profit or loss</i> HK\$	<i>Designated at fair value through profit or loss</i> HK\$	<i>Subtotal</i> HK\$	<i>Measured at fair value through other comprehensive income</i> HK\$	<i>Financial assets in amortised costs</i> HK\$	<i>Total</i> HK\$
Assets						
Equities ^a						
- Listed	1,319,649,598	-	1,319,649,598	-	-	1,319,649,598
- Fixed income securities	-	-	-	2,327,094,672	-	2,327,094,672
Debt instruments						
- Listed	10,736,614,111	-	10,736,614,111	22,581,433,109	11,579,469,391	44,897,516,611
Funds	3,910,109,907	-	3,910,109,907	-	-	3,910,109,907
Total investment assets	15,966,373,616	-	15,966,373,616	24,908,527,781	11,579,469,391	52,454,370,788

14 Financial instruments (continued)

	2023					
	<i>Measured at fair value through profit or loss HK\$</i>	<i>Designated at fair value through profit or loss HK\$</i>	<i>Subtotal HK\$</i>	<i>Measured at fair value through other comprehensive income HK\$</i>	<i>Financial assets in amortised costs HK\$</i>	<i>Total HK\$</i>
Assets						
Equities ^a						
- Listed	1,337,405,735	-	1,337,405,735	723,732,990	-	2,061,138,725
- Fixed income securities	-	-	-	3,253,066,150	-	3,253,066,150
Debt instruments						
- Listed	10,921,113,203	-	10,921,113,203	14,881,510,949	15,040,197,289	40,842,821,441
Funds	808,376,273	-	808,376,273	-	-	808,376,273
Total investment assets	13,066,895,211	-	13,066,895,211	18,858,310,089	15,040,197,289	46,965,402,589

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

14 Financial instruments (continued)

Fair values

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

Determination of fair value

Fair values are determined according to the following hierarchy:

a. Level 1 - Quoted market price

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

b. Level 2 -Valuation technique using observable inputs

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

c. Level 3 - Valuation technique with significant unobservable inputs

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

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

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

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

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

14 Financial instruments (continued)

Analysis of fair value determination

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

At 31 December 2024

	<i>Fair value measurements categorised into</i>			
	<i>Level 1</i> HK\$	<i>Level 2</i> HK\$	<i>Level 3</i> HK\$	<i>Total</i> HK\$
Recurring fair value measurement				
Financial assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	15,966,373,616	-	-	15,966,373,616
Financial assets designated at fair value through other comprehensive income	24,908,527,781	-	-	24,908,527,781
Derivative financial assets	-	169,983,171	-	169,983,171
Financial liability				
Derivative financial liabilities	-	(472,008,446)	-	(472,008,446)

At 31 December 2023

	<i>Fair value measurements categorised into</i>			
	<i>Level 1</i> HK\$	<i>Level 2</i> HK\$	<i>Level 3</i> HK\$	<i>Total</i> HK\$
Recurring fair value measurement				
Financial assets				
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	13,066,895,211	-	-	13,066,895,211
Financial assets designated at fair value through other comprehensive income	18,858,310,089	-	-	18,858,310,089
Derivative financial assets	-	79,801,945	-	79,801,945
Financial liability				
Derivative financial liabilities	-	(337,123,763)	-	(337,123,763)

15 Cash and cash equivalents

	<i>2024</i> HK\$	<i>2023</i> HK\$
Cash at bank and on hand	923,761,210	854,864,097
Cash and cash equivalents in the statement of financial position	923,761,210	854,864,097

15 Cash and cash equivalents (continued)

Reconciliation to Cash Flows Statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2024 HK\$	2023 HK\$
Balances as above	923,761,210	854,864,097
Restricted cash (Note 16)	251,861,821	516,495,409
	<hr/>	<hr/>
Balances per statement of cash flows	1,175,623,031	1,371,359,506
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16 Restricted cash

As at 31 December 2024, the Restricted cash of HK\$251,861,821 (31 December 2023: HK\$516,495,409) were restricted from use within 3 months, which are comprises deposits held at banks as collateral of margin deposits for investment purposes.

17 Reinsurance contracts and reinsurance contracts held

Disclosure statement of changes in insurance contract assets and liabilities issued

	Contracts not measured under the PAA			
	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss components	Loss components		
From January 2024 to December 2024				
Insurance contract liabilities at the beginning of the year	42,577,203,187	1,135,739,600	2,527,195,728	46,240,138,515
Insurance contract assets at the beginning of the year	(510,506,194)	-	442,851,220	(67,654,974)
Net insurance contract liabilities/assets at the beginning of the year	42,066,696,993	1,135,739,600	2,970,046,948	46,172,483,541
Contracts under modified retrospective approach at the transition date	-	-	-	-
Contracts under fair value approach at the transition date	-	-	-	-
Other contracts	(968,538,172)	-	-	(968,538,172)
Insurance revenue	(968,538,172)	-	-	(968,538,172)
Incurred claims and other insurance service expenses, excluding insurance acquisition cash flows	-	(302,042,764)	1,050,088,322	748,045,558
Amortisation of insurance acquisition cash flows	(35,480,050)	-	-	(35,480,050)
Recognition and reversals of losses on onerous contracts	-	(7,685,726)	-	(7,685,726)
Changes in fulfilment cash flows relating to the liability for incurred claims	-	-	175,066	175,066
Other expenses	-	-	-	-
Insurance service expenses	(35,480,050)	(309,728,489)	1,050,263,388	705,054,848
Insurance service result	(1,004,018,223)	(309,728,489)	1,050,263,388	(263,483,324)
Financial changes in insurance contracts	1,136,196,899	41,854,803	(133,943,840)	1,044,107,862
Including: Financial changes in insurance contracts recognised in profit or loss	1,413,551,830	19,631,314	-	1,433,183,144
Total amount of financial changes from insurance contracts included in other comprehensive income	112,653,022	28,537,660	-	141,190,682
Other changes in profit or loss	(390,007,953)	(6,314,171)	(133,943,840)	(530,265,964)
Total changes in the statement of profit or loss and other comprehensive income	132,178,676	(267,873,686)	916,319,548	780,624,538
Investment components	(13,569,291,758)	-	13,569,291,758	-
Premiums received	9,457,237,049	-	-	9,457,237,049
Insurance acquisition cash flows paid	(5,969,373)	-	-	(5,969,373)
Claims and other insurance service expenses paid, including investment components	-	-	(8,131,961,377)	(8,131,961,377)
Other cash flows	-	-	-	-
Total cash flows	9,451,267,676	-	(8,131,961,377)	1,319,306,299
Other changes				
Net liabilities/assets of insurance contract at the end of the year	38,080,851,587	867,865,914	9,323,696,877	48,272,414,378
Insurance contract assets at the end of the year	(468,901,932)	13,916,907	413,816,560	(41,168,465)
Insurance contract liabilities at the end of the year	38,549,753,519	881,782,821	9,737,513,437	49,169,049,757

17 Reinsurance contracts and reinsurance contracts held (continued)

	<i>Contracts not measured under the PAA</i>			
	<u><i>Liability for remaining coverage</i></u>		<i>Liability for incurred claims</i>	<i>Total</i>
	<i>Excluding loss components</i>	<i>Loss components</i>		
From January 2023 to December 2023				
Insurance contract liabilities at the beginning of the year	41,238,187,640	1,312,300,577	2,381,338,550	44,931,826,767
Insurance contract assets at the beginning of the year	(2,006,460,862)	-	1,359,189,420	(647,271,442)
Net insurance contract liabilities/assets at the beginning of the year	39,231,726,778	1,312,300,577	3,740,527,970	44,284,555,325
Contracts under modified retrospective approach at the transition date	-	-	-	-
Contracts under fair value approach at the transition date	-	-	-	-
Other contracts	(1,479,733,499)	-	-	(1,479,733,499)
Insurance revenue	(1,479,733,499)	-	-	(1,479,733,499)
Incurred claims and other insurance service expenses, excluding insurance acquisition cash flows	-	(101,419,775)	1,113,299,189	1,011,879,414
Amortisation of insurance acquisition cash flows	(34,780,637)	-	-	(34,780,637)
Recognition and reversals of losses on onerous contracts	-	(134,107,872)	-	(134,107,872)
Changes in fulfilment cash flows relating to the liability for incurred claims	-	-	(2,485,329)	(2,485,329)
Other expenses	-	-	-	-
Insurance service expenses	(34,780,637)	(235,527,647)	1,110,813,860	840,505,576
Insurance service result	(1,514,514,136)	(235,527,647)	1,110,813,860	(639,227,923)
Financial changes in insurance contracts	1,456,967,415	58,966,670	(18,047,698)	1,497,886,387
Including: Financial changes in insurance contracts recognised in profit or loss	870,828,096	20,917,956	(18,047,698)	873,698,354
Financial changes in insurance contracts recognised in other comprehensive income	586,139,319	38,048,714	-	624,188,033
Total changes in the statement of profit or loss and other comprehensive income	(57,546,721)	(176,560,977)	1,092,766,162	858,658,464
Investment components	(3,536,956,398)	-	3,536,956,398	-
Premiums received	6,429,800,516	-	-	6,429,800,516
Insurance acquisition cash flows paid	(327,182)	-	-	(327,182)
Claims and other insurance service expenses paid, including investment components	-	-	(5,400,203,582)	(5,400,203,582)
Other cash flows	-	-	-	-
Total cash flows	6,429,473,334	-	(5,400,203,582)	1,029,269,752
Other changes	-	-	-	-
Net liabilities/assets of insurance contract at the end of the year	42,066,696,993	1,135,739,600	2,970,046,948	46,172,483,541
Insurance contract assets at the end of the year	(510,506,194)	-	442,851,220	(67,654,974)
Insurance contract liabilities at the end of the year	42,577,203,187	1,135,739,600	2,527,195,728	46,240,138,515

17 Reinsurance contracts and reinsurance contracts held (continued)

	Life and health reinsurance			
	Contracts not measured under the PAA			
	Reinsurance recovery of the asset for remaining coverage			
	Excluding loss-recovery component	Loss- recovery component	Reinsurance recovery of the asset for incurred claims	Total
From January 2024 to December 2024				
Ceded reinsurance contract assets at the beginning of the year	8,340,670,793	-	75,437,796	8,416,108,589
Ceded reinsurance contract Inabilities at the beginning of the year	(3,481)	-	-	(3,481)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	8,340,667,312	-	75,437,796	8,416,105,108
Allocation of reinsurance premiums paid	234,240,948	-	-	234,240,948
Recovery of claims and other insurance service expenses incurred in the period	-	-	15,716,812	15,716,812
Recognition and reversals of losses on onerous contracts	-	-	-	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Changes in non-performance risk of reinsurers	368,373	-	(2,932)	365,441
Other recovery expenses	-	-	-	-
Amounts recovered from reinsurance contracts	368,373	-	15,713,880	16,082,253
Insurance profit or loss on ceded reinsurance contracts	234,609,321	-	15,713,880	250,323,201
Financial changes in insurance contracts for ceded reinsurance contracts	278,649,031	-	-	278,649,031
Including: Financial changes in insurance contracts for ceded reinsurance contracts recognised in profit or loss	220,896,417	-	-	220,896,417
Financial changes in insurance contracts for ceded reinsurance contracts recognised in other comprehensive income	57,752,614	-	-	57,752,614
Other changes in profit or loss	(127,867,402)	-	(20,492,736)	(148,360,138)
Total changes in the statement of profit or loss and other comprehensive income	385,390,950	-	(4,778,856)	380,612,094
Investment components	(3,732,495,399)	-	3,732,495,399	-
Reinsurance premium paid	1,028,960,117	-	-	1,028,960,117
Claims and other insurance service expenses paid, including investment components	-	-	(3,725,922,840)	(3,725,922,840)
Other cash flows	-	-	-	-
Total cash flows	1,028,960,117	-	(3,725,922,840)	(2,696,962,723)
Other changes	-	-	-	-
Net assets/Inabilities of ceded reinsurance contract at the end of the year	6,022,522,980	-	77,231,499	6,099,754,479
Ceded reinsurance contract assets at the end of the year	6,037,308,167	-	70,609,336	6,107,917,503
Ceded reinsurance contract liabilities at the end of the year	(14,785,187)	-	6,622,163	(8,163,024)

17 Reinsurance contracts and reinsurance contracts held (continued)

	Life and health reinsurance			
	Contracts not measured under the PAA			
	Reinsurance recovery of the asset for remaining coverage			
	Excluding loss-recovery component	Loss- recovery component	Reinsurance recovery of the asset for incurred claims	Total
From January 2023 to December 2023				
Ceded reinsurance contract assets at the beginning of the year	7,158,688,383	-	39,789,958	7,198,478,341
Ceded reinsurance contract liabilities at the beginning of the year	(1,554)	-	-	(1,554)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	7,158,686,829	-	39,789,958	7,198,476,787
Allocation of reinsurance premiums paid	216,583,083	-	-	216,583,083
Recovery of claims and other insurance service expenses incurred in the period	-	-	16,290,075	16,290,075
Recognition and reversals of losses on onerous contracts	-	-	-	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Changes in non-performance risk of reinsurers	(27,942)	-	(992)	(28,934)
Other recovery expenses	-	-	-	-
Amounts recovered from reinsurance contracts	(27,942)	-	16,289,083	16,261,141
Insurance profit or loss on ceded reinsurance contracts	216,555,141	-	16,289,083	232,844,224
Financial changes in insurance contracts for ceded reinsurance contracts	179,432,819	-	(603,554)	178,829,265
Including: Financial changes in insurance contracts for ceded reinsurance contracts recognised in profit or loss	162,643,057	-	(603,554)	162,039,503
Financial changes in insurance contracts for ceded reinsurance contracts recognised in other comprehensive income	16,789,762	-	-	16,789,762
Total changes in the statement of profit or loss and other comprehensive income	395,987,960	-	15,685,529	411,673,489
Investment components	(30,885,977)	-	30,885,977	-
Reinsurance premium paid	816,878,500	-	-	816,878,500
Claims and other insurance service expenses paid, including investment components	-	-	(10,923,668)	(10,923,668)
Other cash flows	-	-	-	-
Total cash flows	816,878,500	-	(10,923,668)	805,954,832
Other changes	-	-	-	-
Net assets/liabilities of ceded reinsurance contract at the end of the year	8,340,667,312	-	75,437,796	8,416,105,108
Ceded reinsurance contract assets at the end of the year	8,340,670,793	-	75,437,796	8,416,108,589
Ceded reinsurance contract liabilities at the end of the year	(3,481)	-	-	(3,481)

17 Reinsurance contracts and reinsurance contracts held (continued)

Analysis of the measurement components of insurance contracts not measured under the PAA

	<i>Life and health reinsurance</i>			
	<i>Contracts not measured under the PAA</i>			
	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	<i>CSM</i>	<i>Total</i>
From January 2024 to December 2024				
Insurance contract liabilities at the beginning of the year	44,783,718,504	56,927,468	1,399,492,543	46,240,138,515
Insurance contract assets at the beginning of the year	(1,482,883,133)	112,573,555	1,302,654,604	(67,654,974)
Net liabilities/assets of insurance contract at the beginning of the year	43,300,835,371	169,501,023	2,702,147,147	46,172,483,541
Amortisation of CSM	-	-	(463,685,855)	(463,685,855)
Changes in the risk adjustment for non-financial risk	-	(20,844,109)	-	(20,844,109)
Experience adjustments	224,428,594	-	-	224,428,594
Changes that relate to current services	224,428,594	(20,844,109)	(463,685,855)	(260,101,370)
Effect of insurance contracts initially recognised in the period	(70,596,969)	15,139,328	230,084,327	174,626,686
Changes in estimates that adjust the CSM	113,701,595	(19,396,623)	(94,304,972)	-
Changes in estimates that do not adjust the CSM	(182,435,005)	122,593	-	(182,312,412)
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	(139,330,379)	(4,134,702)	135,779,355	(7,685,726)
Changes in fulfilment cash flows relating to the liability for incurred claims	174,586	480	-	175,066
Other changes that relate to past services	4,128,706	-	-	4,128,706
Changes that relate to past services	4,303,292	480	-	4,303,772
Insurance service result	89,401,507	(24,978,331)	(327,906,500)	(263,483,324)
Financial changes in insurance contracts	980,758,576	2,033,019	61,316,267	1,044,107,862
Including: Financial changes in insurance contracts recognised in profit or loss	1,329,026,627	5,403,880	98,752,637	1,433,183,144
Financial changes in insurance contracts recognised in other comprehensive income	141,632,871	(442,189)	-	141,190,682
Other changes in profit or loss	(489,900,922)	(2,928,672)	(37,436,370)	(530,265,964)
Total changes in the statement of profit or loss and other comprehensive Income	1,070,160,083	-22,945,312	-266,590,233	780,624,538
Premiums received	9,457,237,049	-	-	9,457,237,049
Insurance acquisition cash flows paid	(5,969,373)	-	-	(5,969,373)
Claims and other insurance service expenses paid, including investment components	(8,131,961,377)	-	-	(8,131,961,377)
Other cash flows	-	-	-	-
Total cash flows	1,319,306,299	-	-	1,319,306,299
Other changes	-	-	-	-
Net liabilities/assets of insurance contract at the end of the year	45,690,301,753	146,555,711	2,435,556,914	48,272,414,378
Insurance contract assets at the end of the year	(1,358,358,148)	97,039,195	1,220,150,488	(41,168,465)
Insurance contract liabilities at the end of the year	47,048,659,901	49,516,516	1,215,406,426	48,313,582,843

17 Reinsurance contracts and reinsurance contracts held (continued)

	<i>Life and health reinsurance</i>			
	<i>Contracts not measured under the PAA</i>			
	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	<i>CSM</i>	<i>Total</i>
From January 2023 to December 2023				
Insurance contract liabilities at the beginning of the year	43,864,899,902	60,007,682	1,006,919,183	44,931,826,767
Insurance contract assets at the beginning of the year	(3,209,979,598)	205,076,432	2,357,631,724	(647,271,442)
Net liabilities/assets of insurance contract at the beginning of the year	40,654,920,304	265,084,114	3,364,550,907	44,284,555,325
Amortisation of CSM	-	-	(632,477,620)	(632,477,620)
Changes in the risk adjustment for non-financial risk	-	(43,331,502)	-	(43,331,502)
Experience adjustments	172,770,290	-	-	172,770,290
Changes that relate to current services	172,770,290	(43,331,502)	(632,477,620)	(503,038,832)
Effect of insurance contracts initially recognised in the period	(135,236,220)	31,114,699	146,994,747	42,873,226
Changes in estimates that adjust the CSM	350,392,286	(84,596,107)	(265,796,179)	-
Changes in estimates that do not adjust the CSM	(174,943,117)	(2,037,982)	-	(176,981,099)
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	40,212,949	(55,519,390)	(118,801,432)	(134,107,873)
Changes in fulfilment cash flows relating to the liability for incurred claims	(2,476,350)	(8,979)	-	(2,485,329)
Other changes that relate to past services	404,110	-	-	404,110
Changes that relate to past services	(2,072,240)	(8,979)	-	(2,081,219)
Insurance service result	210,910,999	(98,859,871)	(751,279,052)	(639,227,924)
Financial changes in insurance contracts	1,405,734,316	3,276,780	88,875,292	1,497,886,388
Including: Financial changes in insurance contracts recognised in profit or loss	779,133,607	5,689,456	88,875,292	873,698,355
Financial changes in insurance contracts recognised in other comprehensive income	626,600,709	(2,412,676)	-	624,188,033
Total changes in the statement of profit or loss and other comprehensive Income	1,616,645,315	(95,583,091)	(662,403,760)	858,658,464
Premiums received	6,429,800,516	-	-	6,429,800,516
Insurance acquisition cash flows paid	(327,182)	-	-	(327,182)
Claims and other insurance service expenses paid, including investment components	(5,400,203,582)	-	-	(5,400,203,582)
Other cash flows	-	-	-	-
Total cash flows	1,029,269,752	-	-	1,029,269,752
Other changes	-	-	-	-
Net liabilities/assets of insurance contract at the end of the year	43,300,835,371	169,501,023	2,702,147,147	46,172,483,541
Insurance contract assets at the end of the year	(1,482,883,133)	112,573,555	1,302,654,604	(67,654,974)
Insurance contract liabilities at the end of the year	44,783,718,504	56,927,468	1,399,492,543	46,240,138,515

17 Reinsurance contracts and reinsurance contracts held (continued)

	<i>Life and health reinsurance</i>			
	<i>Contracts not measured under the PAA</i>			
	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	<i>CSM</i>	<i>Total</i>
From January 2024 to December 2024				
Ceded reinsurance contract assets at the beginning of the year	9,018,943,811	198,134	(603,033,356)	8,416,108,589
Ceded reinsurance contract liabilities at the beginning of the year	(3,481)	-	-	(3,481)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	9,018,940,330	198,134	(603,033,356)	8,416,105,108
Amortisation of CSM	-	-	188,445,227	188,445,227
Changes in the risk adjustment for non-financial risk	-	(34,005)	-	(34,005)
Experience adjustments	61,547,027	-	-	61,547,027
Changes that relate to current services	61,547,027	(34,005)	188,445,227	249,958,249
Effect of ceded reinsurance contracts initially recognised in the period	13,110,025	12	(13,110,037)	-
Changes in estimates that adjust the CSM	(115,664,413)	(30,267)	115,694,680	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Recognition and reversals of losses on onerous contracts	-	-	-	-
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	(102,554,388)	(30,255)	102,584,643	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Other changes that relate to past services	(489)	-	-	(489)
Changes that relate to past services	(489)	-	-	(489)
Changes in non-performance risk of reinsurers	365,441	-	-	365,441
Insurance profit or loss on ceded reinsurance contracts	(40,642,409)	(64,260)	291,029,870	250,323,201
Financial changes in insurance contracts for ceded reinsurance contracts	292,486,982	3,449	(13,841,400)	278,649,031
Including: Financial changes in insurance contracts for ceded reinsurance contracts recognised in profit or loss	234,734,386	3,431	(13,841,400)	220,896,417
Financial changes in insurance contracts for ceded reinsurance contracts recognised in other comprehensive income	57,752,596	18	-	57,752,614
Other changes in profit or loss	(156,989,432)	(2,922)	8,632,216	(148,360,138)
Total changes in the statement of profit or loss and other comprehensive income	94,855,141	(63,733)	285,820,686	380,612,094
Reinsurance premium paid	1,028,960,117	-	-	1,028,960,117
Claims and other insurance service expenses paid, including investment components	(3,725,922,840)	-	-	(3,725,922,840)
Other cash flows	-	-	-	-
Total cash flows	(2,696,962,723)	-	-	(2,696,962,723)
Other changes	-	-	-	-
Net assets/liabilities of ceded reinsurance contract at the end of the year	6,416,832,748	134,401	(317,212,670)	6,099,754,479
Ceded reinsurance contract assets at the end of the year	6,529,024,872	99,309	(421,206,678)	6,107,917,503
Ceded reinsurance contract liabilities at the end of the year	(112,192,124)	35,092	103,994,008	(8,163,024)

17 Reinsurance contracts and reinsurance contracts held (continued)

	Life and health reinsurance			
	Contracts not measured under the PAA			
	Present value of future cash flows	Risk adjustment for non- financial risk	CSM	Total
From January 2023 to December 2023				
Ceded reinsurance contract assets at the beginning of the year	7,591,556,585	219,766	(393,298,010)	7,198,478,341
Ceded reinsurance contract liabilities at the beginning of the year	(1,554)	-	-	(1,554)
Net assets/liabilities of ceded reinsurance contract at the beginning of the year	7,591,555,031	219,766	(393,298,010)	7,198,476,787
Amortisation of CSM	-	-	232,433,162	232,433,162
Changes in the risk adjustment for non-financial risk	-	10,009	-	10,009
Experience adjustments	430,400	-	-	430,400
Changes that relate to current services	430,400	10,009	232,433,162	232,873,571
Effect of ceded reinsurance contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the CSM	446,249,167	(35,010)	(446,214,157)	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Recognition and reversals of losses on onerous contracts	-	-	-	-
Other changes that relate to future services	-	-	-	-
Changes that relate to future services	446,249,167	(35,010)	(446,214,157)	-
Changes in fulfilment cash flows that relate to the asset for incurred claims	-	-	-	-
Other changes that relate to past services	(413)	-	-	(413)
Changes that relate to past services	(413)	-	-	(413)
Changes in non-performance risk of reinsurers	(28,935)	-	-	(28,935)
Insurance profit or loss on ceded reinsurance contracts	446,650,219	(25,001)	(213,780,995)	232,844,223
Financial changes in insurance contracts for ceded reinsurance contracts	174,780,248	3,369	4,045,649	178,829,266
Including: Financial changes in insurance contracts for ceded reinsurance contracts recognised in profit or loss	157,991,065	2,789	4,045,649	162,039,503
Financial changes in insurance contracts for ceded reinsurance contracts recognised in other comprehensive income	16,789,183	580	-	16,789,763
Total changes in the statement of profit or loss and other comprehensive income	621,430,467	(21,632)	(209,735,346)	411,673,489
Reinsurance premium paid	816,878,500	-	-	816,878,500
Claims and other insurance service expenses paid, including investment components	(10,923,668)	-	-	(10,923,668)
Other cash flows	-	-	-	-
Total cash flows	805,954,832	-	-	805,954,832
Other changes	-	-	-	-
Net assets/liabilities of ceded reinsurance contract at the end of the year	9,018,940,330	198,134	(603,033,356)	8,416,105,108
Ceded reinsurance contract assets at the end of the year	9,018,943,811	198,134	(603,033,356)	8,416,108,589
Ceded reinsurance contract liabilities at the end of the year	(3,481)	-	-	(3,481)

17 Reinsurance contracts and reinsurance contracts held (continued)

Effect of contracts initially recognised in the year

Reinsurance contracts issued

	<i>Life and health reinsurance</i>		
	<i>Insurance contracts initially recognised in the period</i>		<i>Total</i>
	<i>Profitable contracts</i>	<i>Onerous contracts</i>	
From January 2024 to December 2024			
Estimates of present value (“PV”) of future cash outflows - Insurance acquisition cash flows	5,106	682,832	687,938
Estimates of PV of future cash outflows - other	15,045,600,743	5,170,955,436	20,216,556,179
Estimates of PV of future cash outflows - Subtotal	15,045,605,849	5,171,638,268	20,217,244,117
Estimates of PV of future cash inflows	(15,280,875,373)	(5,006,965,712)	(20,287,841,085)
Risk adjustment for non-financial risk	5,185,197	9,954,130	15,139,327
CSM	230,084,327	-	230,084,327
Effect of contracts initially recognised in the year	-	174,626,686	174,626,686

	Life and health reinsurance		
	Insurance contracts initially recognised in the period		Total
	Profitable contracts	Onerous contracts	
From January 2023 to December 2023			
Estimates of present value ("PV") of future cash outflows - Insurance acquisition cash flows	1,300,116	486,007	1,786,123
Estimates of PV of future cash outflows - other	740,047,797	5,823,452,549	6,563,500,346
Estimates of PV of future cash outflows - Subtotal	741,347,913	5,823,938,556	6,565,286,469
Estimates of PV of future cash inflows	(918,349,487)	(5,782,173,202)	(6,700,522,689)
Risk adjustment for non-financial risk	30,006,827	1,107,872	31,114,699
CSM	146,994,747	-	146,994,747
Effect of contracts initially recognised in the year	-	42,873,226	42,873,226

17 Reinsurance contracts and reinsurance contracts held (continued)

Reinsurance contracts held

	<i>Life and health reinsurance</i>		
	<i>Ceded reinsurance contracts</i>		<i>Total</i>
	<i>Net gain</i>	<i>Net cost</i>	
From January 2024 to December 2024			
Estimates of PV of future cash inflows	1,063,899,900	964,329,268	2,028,229,168
Estimates of PV of future cash outflows	(1,036,577,653)	(978,541,490)	(2,015,119,143)
Risk adjustment for non-financial risk	12	-	12
CSM	(27,322,259)	14,212,222	(13,110,037)
Effect of contracts initially recognised in the year	-	-	-
	<i>Life and health reinsurance</i>		
	<i>Ceded reinsurance contracts</i>		<i>Total</i>
	<i>Net gain</i>	<i>Net cost</i>	
From January 2023 to December 2023			
Estimates of PV of future cash inflows	-	-	-
Estimates of PV of future cash outflows	-	-	-
Risk adjustment for non-financial risk	-	-	-
CSM	-	-	-
Effect of contracts initially recognised in the year	-	-	-

18 Contractual service margin (CSM)

Reinsurance contracts issued

	<i>Life and health reinsurance</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	340,259,441	515,725,923
1 to 3 years	540,044,614	572,885,005
3 to 5 years	367,086,211	382,591,347
5 to 10 years	462,495,957	475,541,822
Over 10 years	725,670,691	755,403,050
Total	2,435,556,914	2,702,147,147

18 Contractual service margin (CSM) (continued)

Reinsurance contracts held

	<i>Life and health reinsurance</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	154,797,905	221,436,094
1 to 3 years	161,843,769	328,972,249
3 to 5 years	570,996	52,625,013
5 to 10 years	-	-
Over 10 years	-	-
Total	317,212,670	603,033,356

19 Deferred tax assets

	<i>Balance</i>	<i>Credited to</i>	<i>Credited to</i>	<i>Balance</i>
	<i>2023</i>	<i>profit or loss</i>	<i>other</i>	<i>2024</i>
	<i>HK\$</i>	<i>2024</i>	<i>comprehensive income</i>	<i>2024</i>
		<i>HK\$</i>	<i>2024</i>	<i>HK\$</i>
Comprises temporary differences attributable to:				
Tax losses	265,731,825	(93,514,295)	-	172,217,530
Premiums and reserves	(123,045,071)	-	6,883,641	(116,161,430)
Unrealised loss of financial assets at FVOCI	56,925,422	-	(14,784,304)	42,141,118
	199,612,176	(93,514,295)	(7,900,663)	98,197,218

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

20 Other assets

	<i>2024</i>	<i>2023</i>
	<i>HK\$</i>	<i>HK\$</i>
Subscription prepayment and clearance receivables	140,870,088	103,505,537
Interest/dividend receivables	490,080,885	389,720,562
Investment contract receivables	733,197,890	576,460,242
Others	253,580	4,906
	1,364,402,443	1,069,691,247

21 Investment contract liabilities

	2024 HK\$	2023 HK\$
Investment contracts at amortised cost	<u>1,057,640,327</u>	<u>1,097,198,480</u>

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

	2024 HK\$	2023 HK\$
At beginning of year	1,097,198,480	1,070,448,347
Addition	(83,128,960)	731,283
Fees deducted	(5,559,703)	(1,643,195)
Payments and surrenders	-	(37,170,051)
Interest credited	39,987,852	26,409,110
Exchange difference	9,142,658	38,422,986
	<u>1,057,640,327</u>	<u>1,097,198,480</u>

22 Lease

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

	2024 HK\$	2023 HK\$
Right-of-use assets:		
- Building	4,723,094	7,485,283
Lease liabilities		
- Current	3,808,098	3,201,934
- Non-current	1,173,221	4,427,839
	<u>4,981,319</u>	<u>7,629,773</u>

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

	2024 HK\$	2023 HK\$
Depreciation charge of right-of-use assets (included in other operating expense)	3,518,441	3,511,557
Interest expense on lease liabilities	<u>361,518</u>	<u>354,798</u>

The total cash outflow for leases in 2024 was HK\$3,766,223 (2023: HK\$3,786,322).

23 Derivative financial instrument

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

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

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

	31 December 2024		
	<i>Nominal amount</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	<u>22,735,708,701</u>	<u>169,983,171</u>	<u>(472,008,446)</u>

	31 December 2023		
	<i>Nominal amount</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	<u>14,975,153,883</u>	<u>79,801,945</u>	<u>(337,123,763)</u>

24 Share capital

	<i>Number of shares</i>	<i>Share capital HK\$</i>
Ordinary shares: Issued: Balance at 1 January 2023, 31 December 2023 and 31 December 2024	<u>2,000,000,000</u>	<u>4,000,000,000</u>
Total shares: Balance at 31 December 2023 and 31 December 2024	<u>2,000,000,000</u>	<u>4,000,000,000</u>

Ordinary shares have no par value.

25 Securities sold under agreements to repurchase and other financial liabilities

(a) Securities sold under agreements to repurchase

	2024 HK\$	2023 HK\$
Securities sold under agreements to repurchase	<u>8,553,451,725</u>	<u>8,597,160,739</u>

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

(b) Other financial liabilities

	2024 HK\$	2023 HK\$
Accrued salaries	7,281,925	7,700,694
Interest payables on sell and repurchase financial assets	111,762,746	133,464,836
Investment management fee and custody fee payables	83,265,764	73,243,479
Subscription payables and clearance payables	129,994,605	126,886,914
Others	<u>36,152,421</u>	<u>186,173</u>
Total	<u>368,457,461</u>	<u>341,482,096</u>

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

26 Directors' emoluments

As disclosures required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), the aggregate emoluments paid or receivable by directors in respect of their services as directors for the current year amounted to HK\$600,000 (2023:HK\$600,000). The aggregate emoluments paid or receivable in respect of their services in connection with the management amounted to HK\$1,956,890 (2023: HK\$2,543,155). There are no retirement benefits paid or receivables by directors for the current year (2023: nil).

Aggregated and unapportioned amount of top three highest paid directors emoluments is HK\$2,556,890 (2023:HK\$2,843,155). During the current period, there was no amount (2023: nil) of compensation paid for loss of office.

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

27 Related party transactions

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

	2024			
	Intermediate holding company HK\$	Branch of ultimate holding company HK\$	Ultimate holding company HK\$	Fellow subsidiary company HK\$
Business ceded by related companies				
- Insurance revenue	1,110,160,858	(166,933,751)	-	-
- Allocation of reinsurance premium paid	161,855,245	-	-	-
- Finance expenses from insurance contracts issued	(1,042,741,798)	(16,902,525)	-	-
- Amounts recovered from reinsurance contracts held	1,581,064	-	-	-
- Finance income from reinsurance contracts held	137,220,041	-	-	-
Investment contract expenses	(36,741,476)	-	-	-
Investment management fee expenses	-	-	-	(57,741,204)
Services fees	-	-	(270,695)	(8,344,481)
Other income	-	-	-	143,700
	2023			
	Intermediate holding company HK\$	Branch of ultimate holding company HK\$	Ultimate holding company HK\$	Fellow subsidiary company HK\$
Business ceded by related companies				
- Insurance revenue	1,336,813,460	(17,606,113)	-	-
- Allocation of reinsurance premium paid	205,346,415	-	-	-
- Finance expenses from insurance contracts issued	(436,289,927)	-	-	-
- Amounts recovered from reinsurance contracts held	1,157,321	-	-	-
- Finance income from reinsurance contracts held	42,036,277	-	-	-
Investment contract expenses	(26,409,110)	-	-	-
Investment management fee expenses	-	-	-	(49,120,438)
Services fees	-	-	(273,110)	(7,947,838)
	2024			
	Intermediate holding company HK\$	Branch of ultimate holding company HK\$	Ultimate holding company HK\$	Fellow subsidiary company HK\$
Insurance contract assets	39,328,774	-	-	-
Ceded reinsurance contract assets	3,893,060,105	-	-	-
Insurance contract liabilities	(31,535,984,785)	(328,178,158)	-	-
Ceded reinsurance contract liabilities	(8,159,140)	-	-	-
Investment contract liabilities	(1,032,344,069)	-	-	-
Investment management fee payable	-	-	-	(48,375,852)
Other receivables	-	-	-	143,700

27 Related party transactions (continued)

	2023			
	<i>Intermediate holding company HK\$</i>	<i>Branch of ultimate holding company HK\$</i>	<i>Ultimate holding company HK\$</i>	<i>Fellow subsidiary company HK\$</i>
Insurance contract assets	67,374,868	-	-	-
Ceded reinsurance contract assets	3597,792,495	-	-	-
Insurance contract liabilities	(26,181,447,531)	(3,103,977,122)	-	-
Investment contract liabilities	(1,097,198,480)	-	-	-
Investment management fee payable	-	-	-	(40,181,570)

28 Immediate and ultimate holding company

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

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

29 Events after the reporting period

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