SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

Reports and Consolidated Financial Statements
For the year ended 30th June, 2025

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2025

CONTENTS

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors

Kwok Ping-luen, Raymond, Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman

Chow Ka-yin
Vice Chairman

Fung Yuk-lun, Allen
Wong Kwai-chuen, Andrew
Lau Hong-wai
Yim Ka-yan, Amy
Cheung Wing-yui

Independent Non-Executive Directors

Lok Chi-hang, Anthony
Ng Yu-lam, Kenneth
Tsang Hon-keung
Yuen Tak-tim, Anthony

MANAGEMENT

Lau Hong-wai, MBA
Managing Director & CEO

Yim Ka-yan, Amy, MBA, ANZIIF (Snr Assoc.)
Director & Deputy CEO

Wong Kwai-chuen, Andrew, BBA, MBA, ACII, Chartered Insurer
Director

Zhou Chao, Harry, MBA, ACII, ANZIIF (Fellow)
Deputy CEO

Lee Pui-shing, Stephen, CA, FCPA
Financial Controller

REGISTERED OFFICE

45th Floor, Sun Hung Kai Centre,
30 Harbour Road,
Hong Kong

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Facsimile	: (852) 2827 0622
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E-mail	: shkpi@shkp.com

AUDITOR

Deloitte Touche Tohmatsu

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 30th June, 2025. Sun Hung Kai Properties Insurance Limited (the "Company") is exempted from the preparation of a business review under Hong Kong Companies Ordinance as it is a wholly-owned subsidiary of another body corporate at the end of the year.

PRINCIPAL ACTIVITIES

The Company continues to be an insurance underwriting company and carries on all classes of general insurance business except aircraft, aircraft liability and those of long-term nature. Classes underwritten include compulsory or statutorily required insurance business. The activities of its wholly-owned subsidiaries are set out in note 25 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30th June, 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 9 and 10.

The directors now recommend the payment of a final dividend of approximately HK$175 per share, amounting to HK$131,400,000, to the shareholders.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 12 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Directors:

Kwok Ping-luen, Raymond
Chow Ka-yin
Fung Yuk-lun, Allen
Wong Kwai-chuen, Andrew
Lau Hong-wai
Yim Ka-yan, Amy
Cheung Wing-yui

DIRECTORS - continued

Independent Non-Executive Directors:

Lok Chi-hang, Anthony
Ng Yu-lam, Kenneth
Tsang Hon-keung
Yuen Tak-tim, Anthony

In accordance with Article 22(3) of Part B of the Company's Articles of Association, all directors hold office for an unlimited period of time and shall not be subject to retirement from office at any general meeting.

The names of directors who have served on the boards of the subsidiaries of the Company during the year ended 30th June, 2025 and up to the date of this report are set out below:

Chow Ka-yin
Li Ching-kam
Lui Ting
Sien Kin-hong
Tung Chi-ho
Wong Chik-wing
Yeung Lai-king
Leung Shuk-bing
Kwok Wai-yee, Alice

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

SUNeVision Holdings Ltd. ("SUNeVision", a fellow subsidiary of the Company) granted share options to subscribe for its shares to certain individuals, including the following director of the Company, under its share option schemes. The movement of the director's outstanding share options during the year ended 30th June, 2025 was as follows:

					Number of share options of SUNeVision			
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 1.7.2024	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 30.6.2025
Fung Yuk-lun, Allen	04.05.2022	6.532	04.05.2023 - 03.05.2027	4,000,000	-	-	-	4,000,000
	26.05.2025	6.250	26.05.2026 - 25.05.2030	-	4,000,000	-	-	4,000,000
				4,000,000	4,000,000	-	-	8,000,000

The above share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant and in whole or in part of the grant from the third anniversary of the date of grant.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES - continued

During the year, the directors of the Company did not have any outstanding share options under the share option scheme of, nor any outstanding awarded shares under the share award scheme of, SmarTone Telecommunications Holdings Limited (being another fellow subsidiary of the Company). Sun Hung Kai Properties Limited (being the ultimate holding company of the Company) did not have any share option scheme nor share award scheme during the year.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY

The Company's Articles of Association provide that an officer or former officer of the Company may be indemnified out of the Company's assets against any liability incurred by the officer to a person other than the Company or its associated companies in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or its associated companies (as the case may be).

AUDITOR

The consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who retires, and being eligible, offers itself for re-appointment.

For and on behalf of the Board

(Signed)

Fung Yuk-lun, Allen
Director
30th October, 2025

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sun Hung Kai Properties Insurance Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 74, which comprise the consolidated statement of financial position as at 30th June, 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30th June, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

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

Other Information - continued

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

We communicate with those charged with governance 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong
30th October, 2025

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2025

	NOTES	2025 HK$	2024 HK$
Insurance revenue		702,733,395	686,096,315
Insurance service expenses	5	(469,607,529)	(305,076,435)
Insurance service result from insurance contracts issued		233,125,866	381,019,880
Net expenses from reinsurance contracts held		(112,721,800)	(194,208,765)
Insurance service result		120,404,066	186,811,115
Net property rental and management fee		10,581,098	11,256,697
Insurance brokerage income		3,758,550	4,184,857
Net revenue		134,743,714	202,252,669
Investment income	6	100,347,370	115,376,351
Investment gain (loss)	6	1,171,464	(18,793,849)
Impairment losses under expected credit loss model, net of reversal	7a	(57,016,700)	-
Net investment income		44,502,134	96,582,502
Finance expenses from insurance contracts issued		(88,952,573)	(64,805,433)
Finance income from reinsurance contracts held		33,694,460	24,993,394
Net insurance finance expenses		(55,258,113)	(39,812,039)
Net insurance and investment result		123,987,735	259,023,132
Other income and other gains and losses	7b	22,760,625	(3,091,772)
Net change in fair value on revaluation of investment properties		(8,000,000)	(10,500,000)
Administrative and other operating expenses		(22,205,167)	(21,815,773)
Profit before taxation	8	116,543,193	223,615,587
Income tax expense	9	(2,092,232)	(17,614,836)
Profit for the year		114,450,961	206,000,751

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - continued
FOR THE YEAR ENDED 30TH JUNE, 2025

	2025 HK$	2024 HK$
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Debt securities at fair value through other comprehensive income		
- Reclassification of losses to profit or loss on disposals	5,943	398,938
- Fair value change	2,779,324	2,983,724
- Deferred tax impact	(459,763)	(558,138)
Other comprehensive income, net of tax	2,325,504	2,824,524
Total comprehensive income for the year	116,776,465	208,825,275

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2025

	NOTES	2025 HK$	2024 HK$
ASSETS			
Property and equipment	11	79,696	53,055
Investment properties	12	363,000,000	371,000,000
Loan notes	13	46,073,300	172,090,000
Investments in securities	14	512,046,096	332,147,018
Reinsurance contract assets	16	577,937,875	539,555,003
Derivative financial assets	14	1,112,293	7,709,129
Debtors, deposits and prepayments		31,043,457	39,386,164
Amounts due from fellow subsidiaries	17	103,598,920	80,410,423
Fixed deposits with banks with original maturity of less than three months	18	1,471,076,584	1,566,013,464
Bank balances and cash	18	105,054,310	84,274,955
TOTAL ASSETS		3,211,022,531	3,192,639,211
LIABILITIES			
Insurance contract liabilities	15	2,029,494,838	1,913,000,986
Other creditors and accrued charges		32,212,606	44,759,667
Amounts due to fellow subsidiaries	19	4,210,025	4,150,112
Tax liabilities		23,755,672	19,650,578
Deferred tax liabilities	20	1,983,599	19,588,542
TOTAL LIABILITIES		2,091,656,740	2,001,149,885
NET ASSETS		1,119,365,791	1,191,489,326
CAPITAL AND RESERVES			
Share capital	21	75,000,000	75,000,000
Reserves		1,044,365,791	1,116,489,326
TOTAL CAPITAL AND RESERVES		1,119,365,791	1,191,489,326

The consolidated financial statements on pages 9 to 74 were approved and authorised for issue by the Board of Directors on 30th October, 2025 and are signed on its behalf by:

(Signed)	(Signed)	(Signed)
Fung Yuk-lun, Allen DIRECTOR	Yim Ka-yan, Amy DIRECTOR	Lau Hong-wai CHIEF EXECUTIVE OFFICER

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2025

	Note	Share capital HK$	Dividend reserve HK$	Investment revaluation reserve HK$	General reserve HK$	Retained profits HK$	Total HK$
At 1st July, 2023, as restated		75,000,000	149,000,000	(2,093,645)	7,000,000	902,757,696	1,131,664,051
Reclassification of losses to profit or loss on disposals		-	-	398,938	-	-	398,938
Fair value change		-	-	2,983,724	-	-	2,983,724
Deferred tax on fair value change		-	-	(558,138)	-	-	(558,138)
Other comprehensive income for the year		-	-	2,824,524	-	-	2,824,524
Profit for the year		-	-	-	-	206,000,751	206,000,751
Total comprehensive income for the year		-	-	2,824,524	-	206,000,751	208,825,275
Dividend paid	10	-	(149,000,000)	-	-	-	(149,000,000)
Dividend recognised as distribution	10	-	188,900,000	-	-	(188,900,000)	-
At 30th June, 2024		75,000,000	188,900,000	730,879	7,000,000	919,858,447	1,191,489,326
Reclassification of losses to profit or loss on disposals		-	-	5,943	-	-	5,943
Fair value change		-	-	2,779,324	-	-	2,779,324
Deferred tax on fair value change		-	-	(459,763)	-	-	(459,763)
Other comprehensive income for the year		-	-	2,325,504	-	-	2,325,504
Profit for the year		-	-	-	-	114,450,961	114,450,961
Total comprehensive income for the year		-	-	2,325,504	-	114,450,961	116,776,465
Dividend paid	10	-	(188,900,000)	-	-	-	(188,900,000)
Dividend recognised as distribution	10	-	131,400,000	-	-	(131,400,000)	-
At 30th June, 2025		75,000,000	131,400,000	3,056,383	7,000,000	902,909,408	1,119,365,791

SUN HUNG KAI PROPERTIES INSURANCE LIMITED
新鴻基地產保險有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2025

	NOTES	2025 HK$	2024 HK$
OPERATING ACTIVITIES			
Profit before taxation		116,543,193	223,615,587
Adjustments for:			
Interest income from debt securities	6	(10,930,542)	(7,430,281)
Interest income from bank deposits	6	(71,939,939)	(78,715,467)
Interest income from a fellow subsidiary	6	(1,972,672)	(2,557,055)
Interest income from loan notes	6	(3,084,272)	(19,671,798)
Dividend income	6	(12,380,927)	(6,966,807)
Depreciation	11	67,332	51,090
Net change in fair value on revaluation of investment properties	12	8,000,000	10,500,000
Fair value loss on foreign currency forward contracts	6	6,596,836	1,336,234
Change in fair value of investments at fair value through profit or loss	6	(7,609,095)	16,799,202
Net realised losses on disposal of loan note	6	4,686,000	-
Net realised (gains) losses on investments at fair value through profit or loss	6	(4,845,205)	259,475
Net realised losses on investments at fair value through other comprehensive income		5,943	398,938
Impairment loss of loan notes, net of reversal	7a	57,016,700	-
Net exchange difference		3,035,200	(260,544)
Operating cash flows before movements in working capital		83,188,552	137,358,574
(Increase) decrease in reinsurance contract assets		(38,382,872)	68,865,489
Decrease (increase) in debtors, deposits and prepayments		8,342,707	(12,889,191)
(Increase) decrease in amounts due from fellow subsidiaries		(23,188,497)	19,831,420
Increase in insurance contract liabilities		116,493,852	6,075,230
(Decrease) increase in creditors and accrued charges		(12,547,061)	24,705,015
Increase in amounts due to fellow subsidiaries		59,913	41,198
Cash generated from operations		133,966,594	243,987,735
Interest received from bank deposits with original maturity of less than three months		71,939,939	65,703,408
Interest received from a fellow subsidiary		1,972,672	2,557,055
Income taxes paid		(16,053,019)	(11,447,967)
NET CASH FROM OPERATING ACTIVITIES		191,826,186	300,800,231

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED 30TH JUNE, 2025

	NOTES	2025 HK$	2024 HK$
INVESTING ACTIVITIES			
Interest income received from debt securities		7,506,084	5,193,856
Interest income received from loan notes		3,084,272	19,671,798
Dividend income		12,380,927	6,966,807
Interest income generated from bank deposit with original maturity of more than three months		-	13,012,059
Placement of bank deposit with maturity original of more than three months		-	(652,997,907)
Withdrawal of bank deposit with maturity original of more than three months		-	1,388,715,411
Purchase of property and equipment	11	(93,973)	(51,143)
Purchase of investments in securities		(198,345,237)	(107,254,093)
Proceeds from disposal and redemption of investments in securities		20,555,634	37,472,061
Proceeds from disposal of loan notes		73,414,000	-
Receipts from repayment of loan note		4,414,582	401,616
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(77,083,711)	711,130,465
CASH USED IN FINANCING ACTIVITY			
Dividend paid	27	(188,900,000)	(149,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(74,157,525)	862,930,696
CASH AND CASH EQUIVALENTS AT 1ST JULY		1,650,288,419	787,357,723
CASH AND CASH EQUIVALENTS AT 30TH JUNE		1,576,130,894	1,650,288,419
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Fixed deposits with banks with original maturity of less than three months		1,471,076,584	1,566,013,464
Bank balances and cash		105,054,310	84,274,955
		1,576,130,894	1,650,288,419

1. GENERAL

Sun Hung Kai Properties Insurance Limited ("the Company") is a private limited company incorporated in Hong Kong. Its ultimate and immediate holding company is Sun Hung Kai Properties Limited, a limited company incorporated and listed in Hong Kong. The address of the registered office and principal place of business of the Company is 45th Floor, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong.

The Company continues to be an insurance underwriting company and carries on all classes of general insurance business except aircraft, aircraft liability and those of a long-term nature. Classes underwritten include compulsory or statutorily required insurance business. The activities of its wholly-owned subsidiaries are set out in note 25 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-Current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

None of the adoption has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS - continued

New and Amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11[2]

[1] Effective for annual periods beginning on or after 1st January, 2025
[2] Effective for annual periods beginning on or after 1st January, 2026
[3] Effective for annual periods beginning on or after 1st January, 2027
[4] Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Group anticipate that the application of all other new standards and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements ("HKFRS 18")

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below and insurance contracts issued and reinsurance contracts held which are measured at current value. Historical cost is generally based on the fair value of the consideration given in exchange for services/goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Basis of consolidation - continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Insurance revenue is recognised for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

Brokerage commission income is recognised at a point in time on the policy effective date, at which point the performance obligation is satisfied.

Lease payments from properties letting under operating leases are recognized as rental income over the lease term on either a straight line basis or another systematic basis that is more representative of the pattern in which benefit from the use of the underlying leased asset is diminished. Contingent rentals are recognized in the accounting period in which they are earned.

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest expense is recognised on an effective interest basis.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from the investment in equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated in cash flow hedges.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debt securities, loan notes, other debtors, amounts due from fellow subsidiaries, fixed deposits with banks and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on insurance broking debtors using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(v) Measurement and recognition of ECL - continued

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped according to similar credit risk characteristics:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt securities that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of insurance debtors, loan notes, debtors, deposits, amounts due from fellow subsidiaries, fixed deposits and bank balances by adjusting their carrying amount, with the corresponding adjustment is recognised through a loss allowance account. For investment in debt securities that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt securities. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including other creditors and amounts due to fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Insurance contracts

(a) Definitions and classifications

The Group issues contracts that assume insurance risk. A contract under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract. The insurance contracts for direct and reinsurance inward insurance business issued and accepted by the Group are general insurance contracts.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(a) Definitions and classifications - continued

The Group determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario and only if there is a scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis upon occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

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

For reinsurance contracts held even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, the 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.

(b) Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

The Group divides portfolios of reinsurance contracts held applying the same principles above, except that the references to onerous contracts shall be replaced with a reference to contracts on which there is a net gain on initial recognition.

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. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(c) Recognition

The Group recognises groups of insurance contracts issued from the earliest of the following dates:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received);
- the date when a group of contracts becomes onerous.

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

- reinsurance contracts held that provide proportionate coverage: generally later of the beginning of the coverage period of the group 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 group of reinsurance contracts held.

However, if the Group 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 group of reinsurance contracts held is recognised on that earlier date.

(d) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

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 Group 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 Group 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 Group 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(d) Contract boundaries - continued

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

(e) Measurement

The Group generally uses the premium allocation approach ("PAA") to simplify the measurement of groups of contracts where the coverage period of each contract in the group of contracts is one year or less. For groups with a coverage period longer than one year, eligibility for the application of the PAA must be assessed for each group of insurance contracts and therefore materiality should be considered at the group level. PAA eligibility is determined by applying a range of future scenarios that an entity would reasonably expect, within the context of the particular group. The carrying amount of the liability for remaining coverage ("LRC") at each reporting date under those scenarios is compared between the PAA and general measurement model ("GMM"). When any difference between the carrying amount of the group's LRC between the PAA and GMM at each reporting date in all scenarios is below a specified threshold of materiality, then the group is eligible for the PAA. This materiality threshold should be designed to assess if the carrying amount of the LRC at each reporting date under the PAA is not materially different from the carrying amount of the LRC under the GMM for the particular group.

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. Insurance acquisition cash flows will be amortised over the contract's coverage period.

Subsequently, the carrying amount of the LRC is increased by any premiums received and any amortisation of the insurance acquisition cash flows, and decreased by insurance acquisition cash flows paid, the amount recognised as insurance revenue for coverage provided and any investment component paid or transferred to the liability for incurred claims ("LIC"). On initial recognition of each group of contracts, the Group expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(e) Measurement - continued

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

The Group recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. Related future cash flows are adjusted for the time value of money, since the claims of the insurance contracts issued by the Company and measured under the PAA typically have settlement period of over one year.

The Group applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage ("ARC"). The Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

The Group includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurers, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurers will be assessed at each reporting date and will recognise in statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(f) Modification and derecognition

The Group derecognises the original contract and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

(i) If the modified terms were included at contract inception and the Group would have concluded that the modified contract:

- is outside of the scope of HKFRS 17;
- results in a different insurance contract due to separating components from the host contract;
- results in a substantially different contract boundary;
- would be included in a different group of contracts.

(ii) The original contract was accounted for applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

If the contract modification meets any of the conditions, the Group performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Group treats the effect of the modification as changes in the estimates of fulfilment cash flows within the context of the simplifications allowed by the PAA. For insurance contracts accounted for applying the PAA, the Group adjusts insurance revenue prospectively from the time of the contract modification.

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group.

(g) Presentation and disclosure

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(g) Presentation and disclosure - continued

(i) Insurance revenue

When applying the PAA, the Group recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service. However, when the expected pattern of release from risk during the coverage period differs significantly from the passage of time, the premium receipts are allocated based on the expected pattern of incurred insurance service expenses.

(ii) Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- changes in the LIC related to claims and expenses incurred in the period;
- changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- other directly attributable insurance service expenses incurred in the period;
- loss component of onerous groups of contracts initially recognised in the period;
- changes in loss component in subsequent measurement of the LRC; and
- amortisation of insurance acquisition cash flows.

(iii) Income or expenses from reinsurance contracts held

Income or expenses from reinsurance contracts held are split into the following two amounts:

- amount recovered from reinsurers;
- an allocation of the premiums paid.

The Group selects to present the income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

The Group presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance contracts - continued

(g) Presentation and disclosure - continued

(iv) Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts. Insurance finance income and expenses shall be presented separately for insurance contracts issued and reinsurance contracts held.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the amount as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities arise from taxable temporary differences, which are expected to result in higher taxes payable in future periods when the carrying amount of the related asset or liability is recovered or settled. The recognition of deferred tax liabilities is based on the tax rates that are expected to be applicable when the temporary differences reverse. In instances where the reversal of taxable temporary differences is dependent on the same taxation authority and the same taxable entity, the deferred tax liabilities are recognised without considering the need for future taxable profits, as the reversals are expected to lead to tax payments in the periods in which the differences reverse.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation - continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

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

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

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personal of the Group or the Group's parent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

Related parties - continued

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or a joint venture of the other entity (or an associate or a 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 Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in Note 2.19(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).

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets, liabilities, revenues and expenses in these consolidated financial statements. The application of assumptions and estimates means that any changes of them, either due to changes of management's judgement or the evolvement of the actual circumstances, would cause the Group's financial position and results to differ.

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes that the assumptions and estimates that have been made in the preparation of these financial statements are appropriate and that these financial statements therefore present fairly the Group's financial position and results in all material respects.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(a) Critical judgements in applying accounting policies

PAA eligibility test

The PAA measurement model is used for all the contracts issued by the Group. Most of the contracts issued by the Group was one year or less.

Most of the contracts issued by the Group have a coverage period that is one year or less and they automatically qualify as eligible for the PAA. Eligibility for the application of the PAA must be assessed for each group of insurance contracts and therefore materiality should be considered at the group level. For the contract issued with coverage period longer than one year, PAA eligibility is determined by applying a range of future scenarios that an entity would reasonably expect, within the context of the particular group. The carrying amount of the LRC at each reporting date under those scenarios is compared between the PAA and the GMM. When any difference between the carrying amount of the group's LRC between the PAA and the GMM at each reporting date in all scenarios is below a specified threshold of materiality, then the group is eligible for the PAA.

When performing the PAA eligibility test, the following key factors have been taken into consideration by the management:

- changing expectations of profitability for the remaining coverage period (e.g., due to changes in claims expectation); and
- changing market yield curves.

The judgements exercised in setting the thresholds to determine "material difference" in the above assessment fundamentally affect the measurement approach the group of insurance contracts is recognised and presented in the consolidated financial statements.

Level of aggregation

The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contract, contracts with no significant risk of becoming onerous, and the remainder. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(a) Critical judgements in applying accounting policies - continued

Level of aggregation - continued

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

The judgements exercised in level of aggregation in the above assessment fundamentally affect the identification of the onerous contracts and the recognition of the loss component.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

(b) Key sources of estimation uncertainty

Estimate of LIC

LIC includes expected ultimate costs of claims incurred but not reported. It may take a significant period of time before the ultimate costs of claims can be established with certainty and for some type of policies, these expected claims form the majority of the insurance liabilities in the statement of financial position. The ultimate costs of outstanding claims are estimated by using a range of standard actuarial claims projection techniques, such as the Bornhuetter-Ferguson ("BF") method.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(b) Key sources of estimation uncertainty - continued

Estimate of LIC - continued

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate costs of claims. As such, these methods extrapolate the development of paid and incurred losses, average cost per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident year, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value based on loss adjustors' estimates or separately projected in order to reflect their future development. The assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrence, changes in external or market factors such as public attitudes of claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures), so as to arrive at the estimated ultimate costs of claims that present the likely outcome from the range of possible outcomes, taking into account all of the uncertainties involved.

LIC are discounted using the risk-free yield curves adjusted by a liquidity premium to reflect the illiquidity characteristics of the liabilities. Considering the duration of insurance contracts issued and reinsurance contracts held by the Group is less than last liquid point (30 years), the Group adopts the risk-free rates as published by the Insurance Authority for determination of Risk Based Capital ("HKRBC"), which are based on observable market information of swaps or government bonds. The Group considers the adoption of the HKRBC risk-free rates is to be market consistent.

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

The Group uses a confidence-level approach at entity level to determine the risk adjustment for non-financial risk by applying statistical methods like Bootstrapping. In estimating the risk adjustment, the Group uses two applications of the bootstrapping technique to determine the risk adjustment for non- financial risk. The bootstrapping technique requires calculating suitably chosen residuals for the chosen model. The resulting risk adjustment corresponds to a 75% confidence level. The confidence-level assumption used is reviewed each year and updated as necessary.

Further details of the related insurance risk are set out in note 26.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(b) Key sources of estimation uncertainty - continued

Significant increase in credit risk in measurement of ECL

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information available without undue cost or effort. Information that will be taken into account when assessing whether there is significant increase in credit risks are set out in note 26.

Estimated impairment of loan notes

The impairment provisions for loan notes are based on assumptions about ECL. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of overdue days as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Details of reversal of impairment loss made during the year are set out in note 7(a).

Fair value of investment properties

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalisation rates, reversionary income potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable. Details of the fair value of investment properties are set out in note 12 to the consolidated financial statements.

Valuation of unlisted equity investment

The Group uses valuation techniques to estimate the fair value of the unlisted equity security which are not quoted in an active market. The Group used the price to earning approach in valuing its stake based on price to earnings multiples of net income to the equity shareholders and also make references of valuation metrics to market comparable. To the extent practical, models use only observable data where market observable inputs are not available, inputs e.g. price to earnings multiples are estimated using assumptions that are calibrated as closely as market observable data. Changes in assumptions about these factors would affect the reported fair value of financial instruments. Details of the valuation techniques and significant inputs are set out in note 26 to the consolidated financial statements.

5. INSURANCE SERVICE EXPENSES

	2025 HK$	2024 HK$
Incurred claims and other incurred insurance service expenses	615,419,476	602,269,565
Changes that related to past service		
Adjustment to the LIC	(180,454,358)	(361,523,174)
Changes that related to future service		
Loss on onerous contracts and reversal of such losses	3,562,001	41,197,722
Insurance acquisition cash flows amortisation	31,080,410	23,132,322
	469,607,529	305,076,435

6. INTEREST INCOME AND INVESTMENT GAIN (LOSS)

	2025 HK$	2024 HK$
Interest from:		
Debt securities		
- Fair value through other comprehensive income	10,930,542	7,430,281
Bank deposits	71,939,939	78,715,467
A fellow subsidiary	1,972,672	2,557,055
Loan notes	3,084,272	19,671,798
Others	39,018	34,943
Dividend income from equity securities		
- Fair value through other comprehensive income	1,565,200	1,017,400
- Fair value through profit or loss	10,815,727	5,949,407
Total investment income	100,347,370	115,376,351
Net realised gains (losses) from:		
Loan note	(4,686,000)	-
Equity securities at fair value through profit or loss	4,845,205	(259,475)
Debt securities at fair value through other comprehensive income	-	(398,938)
Net unrealised gain (losses) from:		
Equity securities and partnership		
- Fair value through profit or loss	7,609,095	(16,799,202)
Derivative financial assets and liabilities		
- Foreign currency forward contracts	(6,596,836)	(1,336,234)
Total investment gains (loss)	1,171,464	(18,793,849)
Interest income and investment gain categorised by investments:		
Listed in Hong Kong	27,052,567	7,267,712
Listed overseas	17,249,320	21,116,582
Unlisted	57,216,947	68,198,208
	101,518,834	96,582,502

7a. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2025 HK$	2024 HK$
Impairment losses recognised for:		
- Loan note	57,016,700	-

A loan note was assessed as credit-impaired during the year ended 30th June, 2025. An impairment allowance of HK$57,016,700 was provided by the management under individual assessment. Details of the loan note and ECL recognised are set out in Note 13(a) and Note 26 respectively.

7b. OTHER INCOME AND OTHER GAINS AND LOSSES

	2025 HK$	2024 HK$
Other income	2,005,349	1,594,825
Net exchange gains (losses)	20,755,276	(4,686,597)
	22,760,625	(3,091,772)

8. PROFIT BEFORE TAX

	2025 HK$	2024 HK$
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,212,400	4,239,100
Depreciation	67,332	51,090
Directors' remuneration		
- Fees	375,000	375,000
- Other emoluments	10,604,955	8,971,463
- Retirement benefit scheme contributions	317,370	363,738
Other staff costs (Note (a))	31,426,481	25,484,564
Gross property rental income	(12,033,009)	(11,942,428)
Less: Outgoings	3,953,286	3,135,605
Net property rental income	(8,079,723)	(8,806,823)

Notes:

(a) Included in other staff costs are the net contributions to the Mandatory Provident Fund Scheme and the defined contribution retirement scheme made by the Group amounting to HK$1,083,509 (2024: HK$1,053,138).

(b) HK$30,352,635 (2024: HK$25,206,955) has been included into the insurance service expense.

9. INCOME TAX EXPENSE

	2025 HK$	2024 HK$
Current tax		
Provision for the year	20,164,438	17,988,291
Overprovision in prior years	(7,500)	(6,000)
Deferred taxation (note 20)	(18,064,706)	(367,455)
	2,092,232	17,614,836

Under the profit tax concession for insurance-related business, the profit of the qualified business will be taxed at 8.25%, and the remaining profit will be taxed at 16.5%.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 HK$	2024 HK$
Profit before tax	116,543,193	223,615,587
Tax at Hong Kong Profits Tax rate of 16.5%	19,229,627	36,896,572
Tax effect of income not taxable for tax purposes	(17,151,381)	(13,379,415)
Tax effect of expenses not deductible for tax purposes	11,658,913	309,961
Effect of tax concession on insurance business	(2,518,159)	(6,424,377)
Overprovision in prior years	(7,500)	(6,000)
Other (Note)	(9,119,268)	218,095
Income tax expense for the year	2,092,232	17,614,836

Note: Included in Other are the additional tax expense due to the Risk-Based Capital regime adopted on 1st July, 2024 and the movement of the deferred tax relating to the tax basis and the accounting basis for the insurance contracts.

10. DIVIDEND

	2025 HK$	2024 HK$
Proposed final dividend of HK$175 (2024: HK$252) per ordinary share	131,400,000	188,900,000
Final dividend for prior year paid of HK$252 (2024: HK$199) per ordinary share	188,900,000	149,000,000

The final dividend in respect of the year ended 30th June, 2025 has been proposed by the directors and is subject to approval by the shareholders at annual general meeting.

11. PROPERTY AND EQUIPMENT

	Furniture and fixtures HK$	Computer equipment HK$	Office equipment HK$	Total HK$
COST				
At 1st July, 2023	81,414	885,941	36,102	1,003,457
Additions	-	51,143	-	51,143
At 30th June, 2024	81,414	937,084	36,102	1,054,600
Additions	-	93,973	-	93,973
At 30th June, 2025	81,414	1,031,057	36,102	1,148,573
DEPRECIATION				
At 1st July, 2023	81,414	836,670	32,371	950,455
Provided for the year	-	49,225	1,865	51,090
At 30th June, 2024	81,414	885,895	34,236	1,001,545
Provided for the year	-	65,466	1,866	67,332
At 30th June, 2025	81,414	951,361	36,102	1,068,877
CARRYING VALUES				
At 30th June, 2025	-	79,696	-	79,696
At 30th June, 2024	-	51,189	1,866	53,055

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20.00%
Computer equipment	33.33%
Office equipment	20.00%

12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under		
	Long lease HK$	Medium-term lease HK$	Total HK$
FAIR VALUE			
At 1st July, 2023	113,500,000	268,000,000	381,500,000
Net decrease in fair value recognised in profit or loss	(1,500,000)	(9,000,000)	(10,500,000)
At 30th June, 2024	112,000,000	259,000,000	371,000,000
Net decrease in fair value recognised in profit or loss	(5,000,000)	(3,000,000)	(8,000,000)
At 30th June, 2025	107,000,000	256,000,000	363,000,000
Capitalisation rate at 30th June, 2025	4.00%	4.15%	
Capitalisation rate at 30th June, 2024	4.00%	4.15%	

12. INVESTMENT PROPERTIES - continued

The Group's investment properties were valued at their fair values at 30th June, 2025 and 2024 by Knight Frank Petty Limited, an independent firm of professional qualified valuers. The current use of the investment properties equates to their highest and best use.

Fair values of the Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The fair values of the Group's completed investment properties are derived using the income capitalisation method by capitalising the net income from the existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties. The capitalisation rate adopted, which varies according to the type and class of property concerned, its location and position and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and encapsulates future expectations of the investors regarding income and capital growth and perceived risks, operating costs and the quality of the property and the tenants.

The significant unobservable inputs used for fair value measurements are capitalisation rates as disclosed above.

The fair values of the Group's investment properties are inversely related to capitalisation rates, which are determined by investors' expectations about future return of property investment, rental growth and the risk profile of the properties being valued. A lower (higher) capitalisation rate would imply a higher (lower) property value. At 30th June, 2025, it is estimated that if the capitalisation rate for long lease property and medium-term lease property increased or decreased by 0.5%, with all other variables held constant, it would increase or decrease the Group's profit after taxation and retained profits by approximately HK$11.5 million and HK$27.7 million respectively (2024: approximately HK$7.7 million and HK$28.4 million respectively).

Long lease is defined as a lease with an unexpired term of not less than 50 years to run at the end of the reporting period.

Medium-term lease is defined as a lease with an unexpired term of more than 10 years but less than 50 years to run at the end of the reporting period.

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and accounted for as investment properties. All of the investment properties of the Group are situated in Hong Kong.

13. LOAN NOTES

	2025 HK$	2024 HK$
Unsecured loan notes (Note (a))	107,900,000	98,800,000
Secured loan note (Note (b))	-	78,100,000
Less: Impairment allowance	(61,826,700)	(4,810,000)
	46,073,300	172,090,000

Movements in the provision for impairment of loan notes refer to note 26.

Notes:

(a) As at 30th June, 2025, the Group held an unsecured loan note with a principal amount of GBP10,000,000 (2024: GBP10,000,000), equivalent to a carrying amount of HK$107,900,000 before impairment (2024: HK$98,800,000). The note was issued by a real estate fund listed on The International Stock Exchange, carries a coupon rate of 10% per annum, and had a maturity date of 21st September, 2025.

During the year, the borrower defaulted on interest payments. Subsequent to the year end, the borrower partially repaid principal of GBP303,973, equivalent to HK$3,279,869. This default is considered a credit event, indicating that the loan note is credit-impaired. In accordance with HKFRS 9, the Group conducted an assessment and recognised an impairment loss of HK$61,826,700 (2024: Nil) based on expected credit losses (ECL).

The Borrower is currently in negotiations to restructure the loan. The proposed restructuring plan involves the liquidation of assets held by the real estate fund to facilitate repayment. Details on the methodology and key assumptions used in the ECL assessment are set out in Note 26.

(b) During the year ended 30th June, 2025, the Group disposed of a secured loan note that had a carrying amount of HK$78,100,000 before impairment as at 30th June, 2024.

The transaction resulted in a net loss on disposal of HK$4,686,000, which has been recognised in the profit or loss for the year. Details of ECL movement are set out in Note 26.

14. INVESTMENTS IN SECURITIES AND DERIVATIVE FINANCIAL ASSETS

	2025 HK$	2024 HK$
Investments at fair value through profit or loss		
Debt securities		
- Listed in Hong Kong (Note (d))	-	12,570,000
Equity securities		
- Listed in Hong Kong (Note (d))	75,799,471	62,181,236
- Listed in overseas (Note (d))	17,237,009	14,553,170
Partnerships		
- Unlisted, at fair value	59,089,161	79,723,705
	152,125,641	169,028,111
Investments at fair value through other comprehensive income (Note (c))		
Debt securities		
- Listed overseas (Note (d))	354,220,455	157,418,907
Equity securities		
- Unlisted, at fair value (Note (a))	5,700,000	5,700,000
	359,920,455	163,118,907
	512,046,096	332,147,018
Derivative financial assets		
Forward currency forward contracts (Notes (b), (d))	1,112,293	7,709,129
Investments at fair value through profit or loss		
Current	93,036,480	76,734,406
Non-current	59,089,161	92,293,705
	152,125,641	169,028,111
Investments at fair value through other comprehensive income (Note (c))		
Current	97,494,606	-
Non-current	262,425,849	163,118,907
	359,920,455	163,118,907
Derivative financial assets		
Current	1,112,293	7,709,129

14. INVESTMENTS IN SECURITIES AND DERIVATIVE FINANCIAL ASSETS - continued

The maturity profile of the investments in debt securities bearing fixed interest was as follows:

	2025 HK$	2024 HK$
Within 1 year	97,494,606	-
2 - 5 years	256,725,850	169,988,907
More than 5 years	-	-
Total	354,220,456	169,988,907
Effective interest rate (per annum)	3.93% to 5.60%	1.50% to 11.21%

Notes:

(a) The investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of valuation techniques are set out in note 26.

(b) The notional amount of the foreign currency forward contract (sell GBP, buy HK$) amounting to GBP8,000,000 (2024: the foreign currency forward contract (sell GBP, buy HK$) amounting to GBP8,000,000) indicates the volume of transactions outstanding as at the reporting date, it does not represent the amount at risk.

(c) Details of credit risk, analysis of gross carrying amount and movements in the provision for impairment are set out in note 26.

(d) The investments were held by HKF (Nominees) Limited, a fellow subsidiary of the Group, on behalf of the Group as at 30th June, 2025 and 2024.

15. INSURANCE CONTRACT ASSETS AND LIABILITIES

At 30th June, 2025:

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component HK$	Loss component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(386,501,887)	(112,222,257)	(1,282,047,124)	(132,229,718)	(1,913,000,986)
At 1st July, 2024	(386,501,887)	(112,222,257)	(1,282,047,124)	(132,229,718)	(1,913,000,986)
Insurance revenue	702,733,395	-	-	-	702,733,395
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(556,081,899)	(59,337,577)	(615,419,476)
Adjustments to liabilities for incurred claims	-	-	139,857,491	40,596,867	180,454,358
Loss on onerous contracts and reversal	-	(3,562,001)	-	-	(3,562,001)
Amortisation on insurance acquisition cash flows	(31,080,410)	-	-	-	(31,080,410)
	(31,080,410)	(3,562,001)	(416,224,408)	(18,740,710)	(469,607,529)
Insurance service result	671,652,985	(3,562,001)	(416,224,408)	(18,740,710)	233,125,866
Finance expenses from insurance contracts issued	-	-	(88,952,573)	-	(88,952,573)
Total changes in the consolidated statement of profit or loss and other comprehensive income	671,652,985	(3,562,001)	(505,176,981)	(18,740,710)	144,173,293
Cash flows					
Premium received	(653,997,766)	-			(653,997,766)
Insurance acquisition cash flows	23,862,841	-			23,862,841
Claims and other insurance expenses paid	-	-	369,467,780	-	369,467,780
Total cash flows	(630,134,925)	-	369,467,780	-	(260,667,145)
At 30th June, 2025	(344,983,827)	(115,784,258)	(1,417,756,325)	(150,970,428)	(2,029,494,838)
Closing assets	-	-	-	-	-
Closing liabilities	(344,983,827)	(115,784,258)	(1,417,756,325)	(150,970,428)	(2,029,494,838)
At 30th June, 2025	(344,983,827)	(115,784,258)	(1,417,756,325)	(150,970,428)	(2,029,494,838)

15. INSURANCE CONTRACT ASSETS AND LIABILITIES - continued

At 30th June, 2024:

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component HK$	Loss component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(337,255,641)	(71,024,535)	(1,357,772,755)	(140,872,825)	(1,906,925,756)
At 1st July, 2023	(337,255,641)	(71,024,535)	(1,357,772,755)	(140,872,825)	(1,906,925,756)
Insurance revenue	686,096,315	-	-	-	686,096,315
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(547,181,522)	(55,088,043)	(602,269,565)
Adjustments to liabilities for incurred claims	-	-	297,792,024	63,731,150	361,523,174
Loss on onerous contracts and reversal	-	(41,197,722)	-	-	(41,197,722)
Amortisation on insurance acquisition cash flows	(23,132,322)	-	-	-	(23,132,322)
	(23,132,322)	(41,197,722)	(249,389,498)	8,643,107	(305,076,435)
Insurance service result	662,963,993	(41,197,722)	(249,389,498)	8,643,107	381,019,880
Finance expenses from insurance contracts issued	-	-	(64,805,433)	-	(64,805,433)
Total changes in the consolidated statement of profit or loss and other comprehensive income	662,963,993	(41,197,722)	(314,194,931)	8,643,107	316,214,447
Cash flows					
Premium received	(738,651,191)	-	-	-	(738,651,191)
Insurance acquisition cash flows	26,440,952	-	-	-	26,440,952
Claims and other insurance expenses paid	-	-	389,920,562	-	389,920,562
Total cash flows	(712,210,239)	-	389,920,562	-	(322,289,677)
At 30th June, 2024	(386,501,887)	(112,222,257)	(1,282,047,124)	(132,229,718)	(1,913,000,986)
Closing assets	-	-	-	-	-
Closing liabilities	(386,501,887)	(112,222,257)	(1,282,047,124)	(132,229,718)	(1,913,000,986)
At 30th June, 2024	(386,501,887)	(112,222,257)	(1,282,047,124)	(132,229,718)	(1,913,000,986)

16. REINSURANCE CONTRACT ASSETS AND LIABILITIES

At 30th June, 2025:

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss recovery component HK$	Loss recovery component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening reinsurance contract assets	(59,371,061)	7,633,404	544,639,162	46,653,498	539,555,003
Opening reinsurance contract liabilities	-	-	-	-	-
At 1st July, 2024	(59,371,061)	7,633,404	544,639,162	46,653,498	539,555,003
Allocation of reinsurance premiums paid	(295,866,337)	-	-	-	(295,866,337)
Amount recovered from reinsurers					
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	214,532,504	22,680,273	237,212,777
Changes in recoveries for past claims	-	-	(48,389,069)	(13,491,665)	(61,880,734)
Loss recovery on onerous underlying contracts and adjustments	-	7,812,494	-	-	7,812,494
	-	7,812,494	166,143,435	9,188,608	183,144,537
Net (expenses) income from reinsurance contracts held	(295,866,337)	7,812,494	166,143,435	9,188,608	(112,721,800)
Finance income from reinsurance contracts held	-	-	33,694,460	-	33,694,460
Total changes in the consolidated statement of profit or loss and other comprehensive income	(295,866,337)	7,812,494	199,837,895	9,188,608	(79,027,340)
Cash flows					
Premium paid	251,833,150	-	-	-	251,833,150
Amount received from reinsurers relating to incurred claims	-	-	(134,422,938)	-	(134,422,938)
Total cash flows	251,833,150	-	(134,422,938)	-	117,410,212
At 30th June, 2025	(103,404,248)	15,445,898	610,054,119	55,842,106	577,937,875
Closing assets	(103,404,248)	15,445,898	610,054,119	55,842,106	577,937,875
Closing liabilities	-	-	-	-	-
At 30th June, 2025	(103,404,248)	15,445,898	610,054,119	55,842,106	577,937,875

16. REINSURANCE CONTRACT ASSETS AND LIABILITIES - continued

At 30th June, 2024:

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss recovery component HK$	Loss recovery component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening reinsurance contract assets	(68,029,364)	4,946,597	616,698,608	54,804,651	608,420,492
Opening reinsurance contract liabilities	-	-	-	-	-
At 1st July, 2023	(68,029,364)	4,946,597	616,698,608	54,804,651	608,420,492
Allocation of reinsurance premiums paid	(258,394,347)	-	-	-	(258,394,347)
Amount recovered from reinsurers					
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	189,486,339	17,900,223	207,386,562
Changes in recoveries for past claims	-	-	(119,836,411)	(26,051,376)	(145,887,787)
Loss recovery on onerous underlying contracts and adjustments	-	2,686,807	-	-	2,686,807
	-	2,686,807	69,649,928	(8,151,153)	64,185,582
Net (expenses) income from reinsurance contracts held	(258,394,347)	2,686,807	69,649,928	(8,151,153)	(194,208,765)
Finance income from reinsurance contracts held	-	-	24,993,394	-	24,993,394
Total changes in the consolidated statement of profit or loss and other comprehensive income	(258,394,347)	2,686,807	94,643,322	(8,151,153)	(169,215,371)
Cash flows					
Premium paid	267,052,650	-	-	-	267,052,650
Amount received from reinsurers relating to incurred claims	-	-	(166,702,768)	-	(166,702,768)
Total cash flows	267,052,650	-	(166,702,768)	-	100,349,882
At 30th June, 2024	(59,371,061)	7,633,404	544,639,162	46,653,498	539,555,003
Closing assets	(59,371,061)	7,633,404	544,639,162	46,653,498	539,555,003
Closing liabilities	-	-	-	-	-
At 30th June, 2024	(59,371,061)	7,633,404	544,639,162	46,653,498	539,555,003

17. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured and are repayable on demand. Included in the balance is an amount due from a fellow subsidiary of HK$92,131,991 (2024: HK$70,694,707), which is bearing interest at prime rate minus 3.0% (2024: prime rate minus 3.0%) per annum. The remaining amounts due from other fellow subsidiaries are non-interest bearing.

18. FIXED DEPOSITS WITH BANKS/BANK BALANCES AND CASH

All fixed deposits with banks are with original maturity less than three months and carry fixed interest at rates ranging from 0.80% to 4.49% as at 30th June, 2025 (2024: 0.25% to 6.12%). Bank balances represent current accounts with banks which carry no interest.

As at 30th June, 2025, the Group obtains banking facility totalling HK$500,000 (2024: HK$500,000). As at 30th June, 2025 and 2024, the banking facility remains undrawn.

19. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand.

20. DEFERRED TAX (ASSETS) LIABILITIES

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

	Fair value change of investments HK$	Accelerated tax depreciation HK$	Insurance contract HK$	Total HK$
At 1st July, 2023	(413,716)	9,646,451	10,165,124	19,397,859
Charge/(credit) to profit or loss (note 9)	-	150,842	(518,297)	(367,455)
Charge to other comprehensive income	558,138	-	-	558,138
At 30th June, 2024	144,422	9,797,293	9,646,827	19,588,542
Charge/(credit) to profit or loss (note 9)	-	5,859	(18,070,565)	(18,064,706)
Charge to other comprehensive income	459,763	-	-	459,763
At 30th June, 2025	604,185	9,803,152	(8,423,738)	1,983,599

	2025 HK$	2024 HK$
Deferred tax assets	(8,423,738)	-
Deferred tax liabilities	10,407,337	19,588,542
	1,983,599	19,588,542

The Group has adopted transitional provisions for determining assessable profits, designed to evenly spread the one-off adjustment arising from the adoption of the Risk-Based Capital regime over a five-year period for its general insurance business. As a tax concession, 4/5 of this transitional impact (HK$6,881,710) are excluded from the current year's assessable profits and recognised in deferred tax.

21. SHARE CAPITAL

	Number of shares	Amount HK$
Issued and fully paid:		
At 1st July, 2023, 30th June, 2024 and 30th June, 2025		
Ordinary shares with no par value	750,000	75,000,000

22. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position

	2025 HK$	2024 HK$
ASSETS		
Property and equipment	79,696	51,190
Investments in subsidiaries	141,539,218	141,539,218
Investments in securities	452,956,935	252,423,313
Reinsurance contract assets	577,937,875	539,555,003
Debtors, deposits and prepayments	19,764,347	15,187,272
Amounts due from subsidiaries	83,799,090	100,941,195
Amounts due from fellow subsidiaries	72,259,068	54,526,118
Unsecured loan to a subsidiary	73,383,700	73,383,700
Deferred tax assets	7,805,465	-
Fixed deposits with banks with original maturity of less than three months	1,471,076,584	1,566,013,464
Bank balances and cash	103,995,883	77,774,706
TOTAL ASSETS	3,004,597,861	2,821,395,179
LIABILITIES		
Insurance contract liabilities	2,029,494,839	1,913,000,986
Creditors and accrued charges	18,923,704	17,092,765
Amounts due to subsidiaries	108,818,050	35,150,005
Tax liabilities	20,215,053	16,878,357
Deferred tax liabilities	-	9,800,544
TOTAL LIABILITIES	2,177,451,646	1,991,922,657
NET ASSETS	827,146,215	829,472,522
CAPITAL AND RESERVES		
Share capital	75,000,000	75,000,000
Reserves	752,146,215	754,472,522
TOTAL CAPITAL AND RESERVES	827,146,215	829,472,522

Approved and authorised for issue by the Board of Directors on 30th October, 2025 and are signed on its behalf by:

(Signed)	(Signed)	(Signed)
Fung Yuk-lun, Allen DIRECTOR	Yim Ka-yan, Amy DIRECTOR	Lau Hong-wai CHIEF EXECUTIVE OFFICER

22. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY - continue

(b) Movement of reserves of the Company

	Dividend reserve HK$	Investment revaluation reserve HK$	General reserve HK$	Retained profits HK$	Total HK$
At 30th June, 2023	149,000,000	(2,093,645)	7,000,000	527,883,960	681,790,315
Reclassification of losses to profit or loss on disposal	-	398,938	-	-	398,938
Fair value change on fair value through other comprehensive income	-	2,983,724	-	-	2,983,724
Deferred tax on fair value change	-	(558,138)	-	-	(558,138)
Other comprehensive income for the year	-	2,824,524	-	-	2,824,524
Profit for the year	-	-	-	218,857,683	218,857,683
Total comprehensive income for the year	-	2,824,524	-	218,857,683	221,682,207
Dividend paid (Note 10)	(149,000,000)	-	-	-	(149,000,000)
Dividend recognised as distribution (Note 10)	188,900,000	-	-	(188,900,000)	-
At 30th June, 2024	188,900,000	730,879	7,000,000	557,841,643	754,472,522
Reclassification of losses to profit or loss on disposal	-	5,943	-	-	5,943
Fair value change on fair value through other comprehensive income	-	2,779,324	-	-	2,779,324
Deferred tax on fair value change	-	(459,763)	-	-	(459,763)
Other comprehensive income for the year	-	2,325,504	-	-	2,325,504
Profit for the year	-	-	-	184,248,189	184,248,189
Total comprehensive income for the year	-	2,325,504		184,248,189	186,573,693
Dividend paid (Note 10)	(188,900,000)	-	-	-	(188,900,000)
Dividend recognised as distribution (Note 10)	131,400,000	-	-	(131,400,000)	-
At 30th June, 2025	131,400,000	3,056,383	7,000,000	610,689,832	752,146,215

23. OPERATING LEASE ARRANGEMENTS

At the reporting date, the Group had contracted with tenants for the following future minimum lease payments:

	2025 HK$	2024 HK$
Within one year	10,945,647	8,736,080
In the second to fifth year	5,491,258	4,235,741
	16,436,905	12,971,821

All of the properties held have committed tenants for the next one to three years.

24. RELATED PARTY TRANSACTIONS

Apart from the amounts due from/to fellow subsidiaries and related companies as set out in the consolidated statement of financial position and related notes to the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2025 HK$	2024 HK$
Fellow subsidiaries		
Gross premiums written	404,699,273	409,496,442
Interest income	1,972,672	2,557,055
Management fee and other expenses	5,902,769	6,146,342
Related companies		
Gross premiums written	55,854,417	116,501,304

Related companies represent associates and joint ventures of the Company's holding company.

Compensation of key management personnel

The remuneration of directors, being key management personnel, during the year was as follows:

	2025 HK$	2024 HK$
Short-term employee benefits	10,979,955	9,346,463
Post-employee benefits	317,370	363,738
Other long-term benefits	-	-
Share-based payments	-	-

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

25. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's wholly-owned subsidiaries as at 30th June, 2025 and 30th June, 2024 are as follows:

Name of subsidiaries	Place of incorporation	Class of shares held	Issued and fully paid share capital 2025	Issued and fully paid share capital 2024	Proportion of the issued share capital held by the Company 2025 Directly	2025 Indirectly	2024 Directly	2024 Indirectly	Principal activities
Hung Kai Insurance Brokers Company Limited	Hong Kong	Ordinary	HK$500,000	HK$500,000	100%	-	100%	-	Insurance brokerage
Long Tesak Company Limited	Hong Kong	Ordinary	HK$100,000	HK$100,000	100%	-	100%	-	Properties investment
Sun Carol Company Limited	Hong Kong	Ordinary	HK$200	HK$200	100%	-	100%	-	Properties investment
Talent Sound Limited	British Virgin Islands	Ordinary	US$9,350,000	US$9,350,000	100%	-	100%	-	Investment holding
Raised Condition Limited	British Virgin Islands	Ordinary	US$8,690,001	US$8,690,001	100%	-	100%	-	Investment holding
Top Midtown Limited	British Virgin Islands	Ordinary	US$1	US$1	-	100%	-	100%	Investment holding
Swansea Global Investments Limited	British Virgin Islands	Ordinary	US$1	US$1	100%	-	100%	-	Investment holding

26. RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders. In addition, statutory capital requirements are imposed by the Office of the Commissioner of Insurance (Insurance Authority) to ensure that the Company maintains a minimum level of solvency requirement. The directors of the Company have closely monitored the Company's solvency in accordance with the risk-based capital requirement. The Company has no non-compliance of the solvency requirements imposed by the Insurance Ordinance during the year. The subsidiaries of the Company are not under any externally imposed capital requirements except one which is a member of the Insurance Authority and, it is required to maintain paid up share capital or minimum net assets of HK$500,000 as defined by the Insurance Authority at any time during the year. The Company complied with the regulated capital requirements during the year.

26. RISK MANAGEMENT - continued

Categories of financial instruments

	2025 HK$	2024 HK$
Financial assets		
Investments at fair value through profit or loss	152,125,641	169,028,111
Investments at fair value through other comprehensive income	359,920,455	163,118,907
Loans and receivables (including cash and cash equivalents)	1,786,700,243	1,946,598,594
Derivative financial assets held for trading	1,112,293	7,709,129
	2,299,858,632	2,286,454,741
Financial liabilities		
Amortised cost	10,956,853	34,829,750
	10,956,853	34,829,750

Financial and insurance risk management objectives and policies

Financial risk

The Group is exposed to financial and insurance risks through its financial assets, financial liabilities, insurance-related assets and insurance-related liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, market risk and liquidity risk.

Credit risk and impairment assessment

Key areas where the Group is exposed to credit risk are loan notes, investments in debt securities, insurance debtors, reinsurance assets, fixed deposits with banks, bank balances and amounts due from fellow subsidiaries.

The maximum exposure of the Group to credit risk in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets, insurance contract assets and reinsurance contract assets is the carrying amounts of those assets as stated in the consolidated statement of financial position of the Group. The Group reviews the recoverable amount of each individual financial asset at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

For insurance contract assets and reinsurance contract assets, the creditworthiness of these counterparties is considered by reviewing their financial strength prior to finalisation of any contract and transaction. The Group regularly monitors and maintains records of the payment history for significant contract holders and banks with whom they conduct regular business. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Credit risk and impairment assessment - continued

Reinsurance is used to manage insurance risk. This does not, however, discharge the liability of the Group as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remain liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regularly basis by reviewing their financial strength prior to finalisation of any contract.

At 30th June, 2025, credit risk on reinsurance contract assets is limited because these reinsurance contracts were signed with reputable reinsurance companies with diversification. The majority of counterparties are major reinsurance companies with credit ratings of B+ or higher (2024: B+ or higher) assigned by international credit-rating agencies. As at 30th June, 2025, the credit risk exposure for reinsurance contract assets is HK$577,937,875 (2024: HK$539,555,003).

Bank balances and fixed deposits with banks are placed in various authorised institutions. The management of the Group considers the credit risk of such authorised institutions is low.

The Group invests in several debt securities. The credit risk on debt securities is limited because 100% (2024: 88%) of the Group's portfolio are rated with investment grade as assigned by international credit-rating agencies. The management will also monitor closely the risk exposure of the investment portfolio and would take appropriate action to ensure that the risk exposure was within the acceptable limit.

Fellow subsidiaries consist of several counterparties. The credit risk on amounts due from fellow subsidiaries are limited because the fellow subsidiaries are properly operated with strong financial position.

At the end of June 2025, an unsecured loan note was due from an issuer. The management of the Group approves and reviews the investments periodically in order to ensure the credit risk of the loan notes is closely monitored. Management has assessed the ultimate realisation of the loan notes with reference to information including inter alia, the latest financial information provided by the notes issuer, the past payment records of each issuer, the expected future performance and the marketability of other listed loan instrument issued by each issuer. Having considered all the relevant information, the management decided to make an impairment provision of HK$59,136,700 to reflect the occurrence of an event of default.

Other than the concentration of credit risk disclosed above, the Group does not have any other significant concentration of credit risk.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Credit risk and impairment assessment - continued

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2025 HK$	Gross carrying amount 2024 HK$
Investment at fair value through other comprehensive income						
Debt securities**	14	Ba l or above	Low risk	12-month ECL	354,220,455	157,418,907
Financial assets at amortised costs						
Loan notes	13	N/A	(Note 3)	Lifetime ECL	46,073,300	176,900,000
Other debtors		N/A	(Note 1)	12-month ECL	-	43,809,752
Amounts due from fellow subsidiaries	17	N/A	(Note 2)	12-month ECL	103,598,920	80,410,423
Fixed deposits with banks with original maturity of more than three months	18	A or above	Low risk	12-month ECL	-	-
Fixed deposits with banks with original maturity of less than three months	18	Baa2 or above	Low risk	12-month ECL	1,471,076,584	1,566,013,464
Bank balances and cash	18	Aa1 or above	Low risk	12-month ECL	105,054,310	84,274,955

* The credit rating is based on Moody's credit ratings.

** The credit rating of certain debt securities were withdrawn as at 30th June, 2025 and 2024 and became credit-impaired with zero fair value.

Note 1: The credit risk on debtors is limited because the counterparties have no historical default record, past due and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date.

Note 2: The credit risk on amounts due from fellow subsidiaries are limited as the counterparties are the group companies under Sun Hung Kai Properties Ltd. with strong financial position. They are non-rated, and the ECL is estimated based on the PD and LGD with reference to the speculative credit rates assigned by the internal credit-rating agencies. The management considers there is no significant increase in credit risk and the impairment loss allowance resulted is considered minimal.

Note 3: As at 30th June, 2025, the issuer of loan note of gross outstanding carrying amount of HK$107,900,000 (2024: nil) defaulted on scheduled principal and interest payments. This default is considered a credit event, indicating that the loan note is credit-impaired. In accordance with HKFRS 9, the Group conducted an assessment and recognised an impairment loss based on lifetime ECL. The management estimates the ECL after considering the expected recoverable amount.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Credit risk and impairment assessment - continued

Movement in the allowances for impairment for loan notes is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1st July, 2023	4,810,000	-	-	4,810,000
Changes due to financial instruments recognised as at 1st July, 2023:				
- Impairment losses recognised	-	-	-	-
As at 30th June, 2024	4,810,000	-	-	4,810,000
Changes due to financial instruments recognised as at 1st July, 2024:				
- Transfer to Stage 3 Lifetime ECL	(2,690,000)	-	2,690,000	-
- Impairment losses recognised	-	-	59,136,700	59,136,700
- Impairment losses reversed	(2,120,000)	-	-	(2,120,000)
As at 30th June, 2025	-	-	61,826,700	61,826,700

During the year, lifetime ECL of HK$2,690,000 (2024: HK$nil) was recognised due to the default of the originated amount and transferred to credit impaired.

As at 30th June, 2025, lifetime ECL for an loan note on gross carrying amount of HK$107,900,000 (2024: HK$107,900,000) was HK$61,826,700 (2024: HK$nil) as the management considered the loan note was credit-impaired.

Movement in the allowances for impairment for investments at fair value through other comprehensive income - debt securities under investment revaluation reserve is as follows.

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1st July, 2023	-	-	143,939,736	143,939,736
Changes due to financial instruments recognised as at 1st July, 2023:				
- Transfer to Stage 3 Lifetime ECL	-	-	-	-
- Impairment losses recognised	-	-	-	-
As at 30th June, 2024	-	-	143,939,736	143,939,736
Changes due to financial instruments recognised as at 1st July, 2024:				
- Transfer to Stage 3 Lifetime ECL	-	-	-	-
- Impairment losses recognised	-	-	-	-
- Exchange adjustment	-	-	3,539,481	3,539,481
As at 30th June, 2025	-	-	147,479,217	147,479,217

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Credit risk and impairment assessment - continued

As at 30th June, 2025, the Group measured the impairment allowance for investments at fair value through other comprehensive income - debt securities under investment revaluation reserve of Stage 2 amounting to HK$nil (2024: HK$nil), which was contributed by debt securities with a carrying amount of HK$nil (2024: HK$nil) and Stage 3 amounting to HK$143,939,736 (2024: HK$143,939,736), which was contributed by debt securities with a carrying amount of HK$143,939,736 (2024: HK$143,939,736).

Market risk

(i) *Interest rate risk*

Interest rate risk mainly arises from holding debt securities, amount due from a fellow subsidiary and LIC for insurance contracts issued and reinsurance contracts held which are interest bearing. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to minimise the exposure to interest rate risks, the Group may consider entering into interest rate swaps to mitigate the risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to fair value and cash flow interest rate risks for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset outstanding at the end of the reporting period was outstanding for the whole year. An increase/decrease of 100 basis points (2024: 100 basis points) in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2024: 100 basis points) higher/lower and all other variables were held constant, the fair value of debt securities and the investment revaluation reserve for the year ended 30th June, 2025 would decrease/increase by HK$6,272,406 (2024: HK$4,011,751).

The cash flow interest rate risk arose primarily from the amount due from a fellow subsidiary which bears variable interest. If market interest rates had been 100 basis points (2024: 100 basis points) higher/lower with all other variables held constant, the profit before tax ended 30th June, 2025 would increase/decrease by HK$921,320 (2024: HK$706,947).

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Market risk - continued

(i) *Interest rate risk* - continued

Sensitivity analysis - continued

The following table indicates the approximate changes in the Group's profit after taxation and retained profits in response to reasonably possible changes in interest rates with all other variables held constant for insurance contracts issued and reinsurance contracts held at the reporting date:

	2025		2024	
	Change in interest rate Basis points	Effect on profit/(loss) after taxation and retained profits HK$	Change in interest rate Basis points	Effect on profit/(loss) after taxation and retained profits HK$
Insurance contract issued	100	20,480,396	100	18,765,605
	(100)	(21,213,937)	(100)	(19,421,103)
Reinsurance contract held	100	(8,233,698)	100	(6,672,240)
	(100)	8,542,918	(100)	6,905,788

(ii) *Price risk*

The Group is exposed to price risk mainly through investments in equity securities which are measured at fair value at the end of the reporting period. The Group's objective is to earn competitive relative return by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

The details below illustrated the impact on profit or loss of a 5% (2024: 5%) increase in prices of equity instruments which is the sensitivity rate used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible changes in prices of equity instruments.

If the prices of the listed equity instruments had been 5% (2024: 5%) higher/lower, the profit before tax for the year ended 30th June, 2025 would increase/decrease by HK$4,651,824 (2024: HK$3,836,720).

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Market risk - continued

(iii) Foreign currency risk

The exposure to foreign currency risk of the Group arises primarily from loan notes, investments in securities and fixed deposits with bank denominated in United States dollars ("US$") and Great Britain Pound ("GBP"). The management monitors foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise. The Group currently makes use of foreign currency forward contracts to monitor the foreign currency exposure on Euro ("EUR"). The directors of the Company are of the opinion, that the Group has minimal exposure to foreign currency risk on US$ under the current Hong Kong dollar and United States dollar peg system. Accordingly, no sensitivity analysis is conducted and presented.

Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group's objective is to maintain a balance between continuity of funding and flexibility. In the opinion of the directors, the Group is able to generate adequate funds to finance its operations and to cover the claims at unexpected levels of demand.

(i) Maturity analysis for financial liabilities

The following table details the remaining contractual value of the Group's financial liabilities at the reporting date, based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the reporting date).

	Repayable on demand HK$	Less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flows HK$	Carrying amount at 30th June HK$
As at 30th June, 2025					
Other creditors	-	4,847,629	1,899,199	6,746,828	6,746,828
Amounts due to fellow subsidiaries	4,210,025	-	-	4,210,025	4,210,025
	4,210,025	4,847,629	1,899,199	10,956,853	10,956,853

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Financial risk - continued

Liquidity risk - continued

(i) *Maturity analysis for financial liabilities* - continued

	Repayable on demand HK$	Less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flows HK$	Carrying amount at 30th June HK$
As at 30th June, 2024					
Other creditors	-	29,680,672	998,966	30,679,638	30,679,638
Amounts due to fellow subsidiaries	4,150,112	-	-	4,150,112	4,150,112
	4,150,112	29,680,672	998,966	34,829,750	34,829,750

(ii) *Maturity analysis for insurance contract liabilities*

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

	Repayable on demand HK$	Less than 1 year HK$	1 - 5 years HK$	Over 5 years HK$	Total undiscounted cash flows HK$	Carrying amount at 30th June HK$
As at 30th June, 2025	-	573,544,857	895,283,581	8,614,020	1,477,442,457	1,417,756,325
As at 30th June, 2024	-	501,840,280	858,935,773	10,129,140	1,370,905,193	1,282,047,124

Insurance risk

Process used to determine the assumptions

The Group uses assumptions based on a mixture of internal and market data to measure its claims loss. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out in prior years. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims.

Product risk and sensitivity analysis

The major product assumption is claims loss. There is risk of financial loss to the Group if the actual experience of claims loss turns out to be less favourable than the assumption. The Group has entered into several reinsurance contracts to mitigate the insurance risk.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Insurance risk - continued

Product risk and sensitivity analysis - continued

An increase of 1% estimation on claim reserves for the year would require the recognition of an additional loss of HK$5,891,000 (2024: HK$5,186,000) or 5.0% (2024: 2.0%) decrease in the Group's profit before tax.

The impact of changes in other key variables used in the calculation of insurance contract liabilities is summarized in the table below. These impacts are presented both gross and net of reinsurance held. Each change has been calculated in isolation, assuming that there are no changes to any of the other variables.

Variable	Movement in variable	Effect on profit/(loss) before tax gross of reinsurance HK$	Effect on profit/(loss) before tax net of reinsurance HK$
2025			
Risk adjustment factor	+2%	(22,666,724)	(14,133,860)
	-2%	22,666,724	14,133,860
Expected loss	+5%	(17,578,351)	(7,056,366)
	-5%	17,578,351	7,056,366
2024			
Risk adjustment factor	+2%	(20,545,630)	(12,992,991)
	-2%	20,545,630	12,992,991
Expected loss	+5%	(18,678,603)	(10,196,213)
	-5%	18,678,603	10,196,213

Reinvestment risk

In general the terms of the assets of the Group are shorter than those of the liabilities since the Group has a high proportion of short-term bank deposits. This represents certain degree of reinvestment risk since it is possible that the reinvestment rate is lower than the yield on current assets if interest rate falls.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Insurance risk - continued

Concentration of underwriting risk

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered and the increase in number of cases coming to court that were inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geographical location.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right to re-price, cancel or not to renew the risk, it can impose deductibles and it has the right to reject the payment of fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (subrogation). Unless the legislation requires, the Group's strategy limits the total exposure of any individual policies to a certain amount.

The reinsurance arrangements include facultative, proportional treaties and excess of loss coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses more than the prescribed amount. In addition to the overall Group reinsurance programme, additional reinsurance protection for any individual risk is arranged when necessary.

The concentration of insurance risk before reinsurance in relation to type of insurance accepted is summarised below, with reference to the carrying amounts of the insurance contracts issued. The reinsurance arrangement is mainly focusing on the motor, property damage and employee compensation:

	Gross premium written	
	2025	2024
	HK$	HK$
Employee Compensation	374,999,801	406,197,279
Property damage	162,476,769	161,445,822
Others	131,443,284	136,463,173
	668,919,854	704,106,274

Reinsurance arrangement

The Group has in place a series of effective reinsurance covers on a number of short-term insurance products. The placement of reinsurance is diversified such that the Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. The Group also considers the long-established business relationship with the reinsurers.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Insurance risk - continued

Claims development of the Group as at 30th June, 2025 are set out below:

Insurance claims - gross

Accident year	2016 HK$	2017 HK$	2018 HK$	2019 HK$	2020 HK$	2021 HK$	2022 HK$	2023 HK$	2024 HK$	2025 HK$	Total HK$
Estimate of undiscounted ultimate claims costs:											
- at end of accident year	225,944,825	230,614,912	329,783,369	230,025,998	282,121,660	322,646,905	327,978,848	351,670,947	327,134,977	310,115,983	2,938,038,424
- one year later	450,266,999	461,458,237	710,523,695	530,523,898	489,913,892	602,216,713	542,889,513	577,612,344	582,611,792	-	4,948,017,083
- two years later	465,151,736	469,344,224	676,421,916	528,430,962	398,746,722	515,986,152	471,869,415	561,143,086	-	-	4,087,094,213
- three years later	428,836,168	465,503,961	655,940,121	474,382,240	326,897,657	418,080,049	438,569,705	-	-	-	3,208,209,901
- four years later	401,194,271	433,131,975	596,938,714	411,229,827	269,639,502	368,512,697	-	-	-	-	2,480,646,986
- fifth years later	384,160,296	417,690,851	588,933,950	399,462,990	265,357,522	-	-	-	-	-	2,055,605,609
- sixth years later	383,402,758	405,788,095	570,120,038	396,005,590	-	-	-	-	-	-	1,755,316,481
- seventh years later	379,846,901	401,456,363	568,334,214	-	-	-	-	-	-	-	1,349,637,478
- eighth years later	373,155,396	400,756,156	-	-	-	-	-	-	-	-	773,911,552
- ninth years later	372,964,561	-	-	-	-	-	-	-	-	-	372,964,561
Current estimate of cumulative claims	372,964,561	400,756,156	568,334,214	396,005,590	265,357,522	368,512,697	438,569,705	561,143,086	582,611,792	310,115,983	4,264,371,306
Cumulative payments to date	372,964,189	399,826,145	560,388,603	353,111,512	249,126,299	316,805,630	258,638,073	210,349,124	66,719,271	1,644,998	2,789,573,844
Liability at 30th June, 2025 for accident years from 2016 to 2025	372	930,011	7,945,611	42,894,078	16,231,223	51,707,067	179,931,632	350,793,962	515,892,521	308,470,985	1,474,797,462
Liability in respect of prior years											1,558,953
Risk adjustment											157,427,830
Discounting											(66,143,534)
Claim payable and others											1,086,042
Total liability included in the consolidated statement of financial position											1,568,726,753

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Insurance risk - continued

Claims development of the Group as at 30th June, 2025 are set out below: - continued

Insurance claims - net

Accident year	2016 HK$	2017 HK$	2018 HK$	2019 HK$	2020 HK$	2021 HK$	2022 HK$	2023 HK$	2024 HK$	2025 HK$	Total HK$
Estimate of ultimate claims costs:											
- at end of accident year	139,571,239	123,691,657	136,386,838	133,632,294	155,029,965	190,115,864	190,703,899	230,121,070	220,334,477	143,641,055	1,663,228,358
- one year later	271,110,792	234,083,860	252,337,177	280,805,568	281,550,817	384,873,212	351,583,779	396,934,127	426,912,873	-	2,880,192,205
- two years later	281,413,449	251,949,577	249,394,608	252,692,210	239,449,976	327,482,714	295,095,937	381,941,603	-	-	2,279,420,074
- three years later	251,049,481	229,416,534	239,177,013	218,802,617	193,870,795	250,764,745	265,193,193	-	-	-	1,648,274,378
- four years later	228,245,795	202,752,979	197,161,102	175,094,461	152,960,723	214,252,683	-	-	-	-	1,170,467,743
- fifth years later	218,073,968	195,087,987	185,991,435	165,076,785	150,599,633	-	-	-	-	-	914,829,808
- sixth years later	216,736,717	191,685,325	183,107,662	164,194,939	-	-	-	-	-	-	755,724,643
- seventh years later	213,721,886	189,383,499	182,343,122	-	-	-	-	-	-	-	585,448,507
- eighth years later	212,409,691	188,949,684	-	-	-	-	-	-	-	-	401,359,375
- ninth years later	212,406,849	-	-	-	-	-	-	-	-	-	212,406,849
Current estimate of cumulative claims	212,406,849	188,949,684	182,343,122	164,194,939	150,599,633	214,252,683	265,193,193	381,941,603	426,912,873	143,641,055	2,330,435,634
Cumulative payments to date	212,406,829	188,068,711	180,761,080	158,943,777	139,035,836	186,874,035	162,629,589	137,196,874	44,676,206	1,936,441	1,412,529,378
Liability at 30th June, 2025 for accident years from 2015 to 2025	20	880,973	1,582,042	5,251,162	11,563,797	27,378,648	102,563,604	244,744,729	382,236,667	141,704,614	917,906,256
Liability in respect of prior years											1,014,166
Risk adjustment											98,991,246
Discounting											(39,417,079)
Claim payable and others											(75,664,061)
Total liability included in the consolidated statement of financial position											902,830,528

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of unlisted fixed interest debt securities and unlisted partnership are determined with reference to broker quotations and net assets value of the partnerships respectively;
- the fair values of unlisted equity securities are determined based on capitalisation rate model; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30th June, 2025			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Fair value through other comprehensive income	354,220,456	-	5,700,000	359,920,456
Fair value through profit or loss	93,036,480	-	59,089,161	152,125,641
Derivative financial assets held for trading	-	1,112,293	-	1,112,293
Total	447,256,936	1,112,293	64,789,161	513,158,390

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Fair value - continued

Fair value measurements recognised in the consolidated statement of financial position - continued

	30th June, 2024			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Fair value through other comprehensive income	157,418,907	-	5,700,000	163,118,907
Fair value through profit or loss	89,304,406	-	79,723,705	169,028,111
Derivative financial assets held for trading	-	7,709,129	-	7,709,129
Total	246,723,313	7,709,129	85,423,705	339,856,147

	Fair value as at 2025 HK$	Fair value as at 2024 HK$	Significant valuation technique(s) and key input(s)	Relationship of unobservable input(s)	Unobservable input to fair value	Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable input(s) 2025 HK$	Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable input(s) 2024 HK$
Financial assets							
Fair value through other comprehensive income							
Unlisted equity security	5,700,000	5,700,000	Market Approach	Price to earning multiples	A higher (lower) multiple would result in a higher (lower) fair values	+570,000/ -570,000	+570,000/ -570,000
Debt securities*	-	-	Discounted cash flow	Future cash flow	N/A	N/A	N/A
Fair value through profit or loss							
Partnership, unlisted	59,089,161	79,723,705	Net assets value	N/A	N/A	N/A	N/A

* During the financial year ended 30th June, 2025, nine (2024: nine) financial assets were credit-impaired as the Group considered default has occurred. As a result, the valuation approach was changed from quoted price to discounted cash flow.

26. RISK MANAGEMENT - continued

Financial and insurance risk management objectives and policies - continued

Fair value - continued

Fair value measurements recognised in the consolidated statement of financial position - continued

Included in other comprehensive income is an amount of HK$nil income (2024: HK$nil income) relating to unlisted equity securities at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

The change in Level 3 financial assets for the year is as follows:

	HK$
At 1st July, 2023	95,886,308
Change in fair value recognised in profit or loss during the year	(10,060,987)
Return of capital/disposal	(401,616)
At 30th June, 2024	85,423,705
Change in fair value recognised in profit or loss during the year	(16,219,962)
Return of capital/disposal	(4,414,582)
At 30th June, 2025	64,789,161

No transfer for financial year ended 30th June, 2025 and 2024.

27. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

The table below details changes in the Group's liability arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$
At 1st July, 2023	149,000,000
Dividend declared	188,900,000
Financing cash flow	(149,000,000)
At 30th June, 2024	188,900,000
Dividend declared	131,400,000
Financing cash flow	(188,900,000)
At 30th June, 2025	131,400,000