MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

Reports and Financial Statements
For the year ended 31 December 2024

MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements of Min Xin Insurance Company Limited (the "Company") for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 17/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

No business review is presented for the year ended 31 December 2024 as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of Min Xin Holdings Limited ("MXHL").

RESULTS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on pages 7 to 8.

RECOMMENDED DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company are set out in note 7.

CHARITABLE DONATIONS

No charitable donations made by the Company during the year (2023: HK$10,000).

SHARE CAPITAL

Details of the share capital are set out in note 21. There has been no movement during the year.

RESERVES

Movements in the Company's reserves during the year are set out on page 11.

DIRECTORS

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

Chen Yu	(Resigned on 25 July 2024)
Huang Wensheng	(Appointed on 5 Nov 2024)
Su Yuecai	(Appointed on 5 Nov 2024)
Chan Kwong Yu	
Wu Xubin	
Shiung An Tai	
Lam Chi Sing	

In accordance with the Company's Articles of Association, all existing directors will continue in office for the coming year.

INDEMNITY OF DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding companies or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

MANAGEMENT CONTRACTS

MXHL provides management services to the Company which include the provision of Directors to the Board of the Company. A management fee of HK$1,180,000 has been paid to MXHL during the year (2023: HK$1,180,000).

Mr Chen Yu, Mr. Huang Wensheng and Mr. Su Yaucai have interest in the above transaction as directors of MXHL.

Except for the above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RELATED-PARTY TRANSACTIONS

Significant related-party transactions entered into by the Company during the year are set out in note 29.

AUDITORS

The financial statements for the year ended 31 December 2024 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

Huang Wensheng
CHAIRMAN
Hong Kong, 30 April 2025

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Min Xin Insurance Company Limited (the "Company") set out on pages 7 to 84, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

TO THE SOLE MEMBER OF MIN XIN INSURANCE COMPANY LIMITED - continued
閩信保險有限公司
(incorporated in Hong Kong with limited liability)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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
Certified Public Accountants
Hong Kong
30 April 2025

MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 HK$	2023 HK$
Insurance revenue		188,128,549	191,824,406
Insurance service expenses	6	(148,500,097)	(163,006,814)
Insurance service result from insurance contracts issued		39,628,452	28,817,592
Net expenses from reinsurance contracts held		(17,460,298)	(16,606,011)
Insurance service result		22,168,154	12,211,581
Finance expenses from insurance contracts issued		(4,680,822)	(5,564,992)
Finance income from reinsurance contracts held		531,083	260,676
Net insurance finance expenses		(4,149,739)	(5,304,316)
Investment income	22	19,967,394	19,025,371
Impairment loss on debt investments at amortised cost	11	(168,783)	(149,981)
Net fair value (losses)/gains on investment properties	9	(1,399,050)	2,194,800
Net investment income		18,399,561	21,070,190
Net insurance and investment result		36,417,976	27,977,455
Operating expenses		(18,845,580)	(19,805,989)
Other income and (losses)		(749,324)	(236,621)
Operating profits		16,823,072	7,934,845
Finance cost for lease liabilities		(76,907)	(200,255)
Profit before taxation	23	16,746,165	7,734,590
Income tax expenses	25	(2,937,921)	(2,862,299)
Profit after taxation		13,808,244	4,872,291

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - continued
FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 HK$	2023 HK$
Profit after taxation	13,808,244	4,872,291
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Fair value changes during the year: - Equity securities at fair value through other comprehensive income Movement in fair value reserve (non-recycling), net of tax	9,829,538	(828,307)
Other comprehensive income (expense), net of tax	9,829,538	(828,307)
Total comprehensive income for the year	23,637,782	4,043,984

MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	NOTES	2024 HK$	2023 HK$
Assets			
Property, plant and equipment	7	533,260	1,677,972
Right-of-use assets	8	3,798,717	2,401,292
Investment properties	9	124,315,750	125,714,800
Intangible assets	10	851,805	791,652
Debt investments at amortised cost	11	73,090,220	42,804,943
Equity securities at fair value through other comprehensive income	12	32,046,554	32,709,835
Other receivables, prepayments and deposits	13	20,987,976	4,553,441
Amount due from immediate holding company		188,179	210,871
Insurance contract assets	14	3,446,893	1,460,295
Reinsurance contract assets	15	17,757,072	15,019,800
Pledged and restricted deposits and time deposits with original maturity over three months	16	174,387,817	197,506,653
Cash and cash equivalents	17	82,025,999	65,941,985
Total assets		533,430,242	490,793,539
Liabilities			
Insurance contract liabilities	14	169,086,683	146,261,482
Reinsurance contract liabilities	15	4,790,487	8,498,374
Other payables	18	8,063,488	9,509,739
Current income tax payable	20	3,135,416	2,959,849
Lease liabilities	19	3,837,036	2,526,930
Deferred income tax liabilities	20	2,593,819	2,751,634
Total liabilities		191,506,929	172,508,008
Net assets		341,923,313	318,285,531

	NOTE	2024 HK$	2023 HK$
Equity			
Share capital	21	235,000,000	235,000,000
Other reserves		9,432,624	1,357,986
Retained profits		97,490,689	81,927,545
Total equity		341,923,313	318,285,531

The financial statements on pages 7 to 84 were approved by the Board of Directors on 30 April 2025 and are signed on its behalf by:

Huang Wensheng
CHAIRMAN

Wu Xubin
CHIEF EXECUTIVE

MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital HK$	Leasehold buildings revaluation reserve HK$	Investment revaluation reserve HK$	Retained profits HK$	Total HK$
At 1 January 2023	235,000,000	2,186,293	-	77,055,254	314,241,547
Profit for the year	-	-	-	4,872,291	4,872,291
Other comprehensive expense, net of tax	-	-	(828,307)	-	(828,307)
Total comprehensive (expenses)/income for the year	-	-	(828,307)	4,872,291	4,043,984
At 31 December 2023	235,000,000	2,186,293	(828,307)	81,927,545	318,285,531
Profit for the year	-	-		13,808,244	13,808,244
Other comprehensive income, net of tax	-	-	9,829,538	-	9,829,538
Disposal of equity investments at fair value through other comprehensive (expense) income	-	-	(1,754,900)	1,754,900	-
Total comprehensive income for the year	-	-	8,074,638	15,563,144	23,637,782
At 31 December 2024	235,000,000	2,186,293	7,246,331	97,490,689	341,923,313

MIN XIN INSURANCE COMPANY LIMITED
閩信保險有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 HK$	2023 HK$
Cash generated from operations	26(a)	4,086,515	34,719,472
Interest received		12,194,529	8,465,974
Income tax paid		(2,920,169)	(2,120,266)
Net cash generated from operating activities		13,360,875	41,065,180
Cash used in investing activities			
Dividends received		1,760,051	2,662,019
Purchase of intangible assets		(625,000)	(87,000)
Purchase of property, plant and equipment		(102,760)	(1,040,969)
Purchase of debt investments at amortised cost		(38,361,700)	(42,593,625)
Purchase of equity securities at fair value through other comprehensive income		(7,202,438)	(33,538,142)
Proceeds from disposal of property, plant and equipment		827,981	-
Proceeds from maturity of debt securities at amortised cost		8,300,078	-
Proceeds from disposal of financial assets at fair value through OCI		17,695,257	-
Placement of pledged and restricted deposits and time deposits with original maturity over three months		(210,859,685)	(400,330,074)
Withdrawal of pledged and restricted deposits and time deposits with original maturity over three months		233,587,338	417,176,590
Net cash generated from (used in) investing activities		5,019,122	(57,751,201)
Cash used in financing activities			
Lease payments	26(b)	(2,219,076)	(2,071,729)
Interest element of lease rentals paid	26(b)	(76,907)	(200,255)
Net cash used in financing activities		(2,295,983)	(2,271,984)
Net increase (decrease) in cash and cash equivalents		16,084,014	(18,958,005)
Cash and cash equivalents at 1 January		65,941,985	84,899,990
Cash and cash equivalents at 31 December		82,025,999	65,941,985

1. GENERAL INFORMATION

Min Xin Insurance Company Limited (the "Company") underwrites general insurance risks, such as those associated with health, property and liability. The Company has operations in Hong Kong and Macau.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office and principal place of business is 17/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

These financial statements are presented in units of Hong Kong dollars ("HK dollars") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 30 April 2025.

2. APPLICATION OF NEW STANDARDS AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new standards and amendments to standards

The Company has applied the following amendments to HKFRSs 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 1 January 2024 for the preparation of the 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 HKFRS16	Lease Liability in a Sale and Lease back

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

2. APPLICATION OF NEW STANDS AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Amendments to HKFRSs in issue but not yet effective

Up to the date of issuance of these financial statements, the HKICPA has issued the following new standards and amendments which are not yet effective for the accounting year ended 31 December 2024 and which have not been early adopted in these financial statements:

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]
Amendments to HKFRS	Annual Improvements to HKFRS Accounting Standards - Volume 11[2]

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

HKFRS 18 Presentation and Disclosure in Financial Statements aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace HKAS 1 Presentation of Financial Statements but carries over many requirements from this HKAS unchanged. In addition, there are three sets of new requirements, management-defined performance measures and the aggregation and disaggregation of financial information.

Whiles HKFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement, The Company is currently assessing the impact before developing a more detailed implementation plan.

The application of other new standards and amendments is not expected to have significant impact on the financial position or performance of the Company.

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

3.1 Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, which collective term refer to all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and have been aligned with accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

3.2 Basis of preparation of the financial statements

The directors of the Company have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company financial statement have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties, insurance contracts issued and reinsurance contracts held.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Company 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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 Leases ("HKFRS 16").

The preparation of financial statements in conformity with HKFRSs 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.

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

3.2 Basis of preparation of the financial statements - continued

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

3.3 Functional currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary items, such as equities held at FVPL, are reported as part of the fair value gain or loss in the profit and loss. Translation differences on non-monetary items, such as equity securities at fair value through other comprehensive income are included in other comprehensive income and accumulated separately in equity.

3.4 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined by comparing the net sale proceeds with the carrying amount and is recognised in the profit or loss on the date of retirement or disposal.

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

3.4 Property, plant and equipment - continued

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives at the following annual rates:

(i) **Straight line method**

Computer equipment	4 years
Motor vehicle, Furniture & fixtures, and Office equipment	5 years

An asset's residual value and useful life are reviewed, and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

3.5 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, and are not occupied by the Company.

Investment properties are measured initially at their cost including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by independent external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with that asset will flow to the Company and the cost of that asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the period in which they are incurred.

Changes in fair values and gain or loss on disposal of an investment property are recognised in the profit or loss.

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

3.5 Investment properties - continued

When a property held for own use is reclassified to investment property following a change in its use, any difference arising at the date of reclassification between the carrying amount of the property held for own use immediately prior to the reclassification and the fair value as a result of revaluation is recognised as below:

(a) If the carrying amount of the property is increased as a result of the revaluation, the increase shall be recognised in other comprehensive income and accumulated separately in equity in the leasehold buildings revaluation reserve; and

(b) If the carrying amount of the property is decreased as a result of the revaluation, the decrease shall be recognised in the profit or loss.

On subsequent disposal of the investment property, the revaluation surplus recognised in the investment property revaluation reserve will be transferred directly to retained profits.

If an investment property becomes owner-occupied, it is reclassified as a property held for own use and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting in accordance with note 3.4.

3.6 Financial instruments

(a) Recognition and initial measurement

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets and financial liabilities are initially recognised at fair value, which normally will be equal to the transaction price plus, in case of financial assets and financial liabilities not held at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets and financial liabilities. Transaction costs of financial assets and financial liabilities at FVPL are expensed in the profit or loss immediately.

(b) Classification and measurement

On initial recognition, a financial asset is classified as measured at (i) amortised cost, (ii) FVOCI or (iii) FVPL.

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

3.6 Financial instruments - continued

(b) Classification and measurement - continued

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3.6 Financial instruments - continued

(b) Classification and measurement - continued

(i) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

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

3.6 Financial instruments - continued

(b) Classification and measurement - continued

(ii) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- leverage features;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features;

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and

- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

(iii) Subsequent measurement and gains and losses

Financial assets at FVPL: These assets are subsequently measured at fair value at the end of each reporting period, with fair value gains or losses recognised in profit or loss. The net gain or loss recognised in the profit or loss is included in the "Net realised and unrealised fair value gains/losses on financial assets at fair value through profit or loss". The net gain or loss recognised excludes the interest income and dividend income which are included in "Investment income".

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

3.6 Financial instruments - continued

(b) Classification and measurement - continued

(iii) Subsequent measurement and gains and losses - continued

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividend income from listed equity securities at FVOCI is recognised in investment income when the Company's right to receive the dividends is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(c) Derecognition

(i) Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset (other than FVOCI), the difference between the carrying amount of the asset derecognised (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain or loss recognised in other comprehensive income in respect of equity investment securities designated as measured at FVOCI is not recognised in profit or loss on derecognition of such securities, and will be transferred to retained profits.

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

3.6 Financial instruments - continued

(c) Derecognition - continued

(ii) Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(e) Fair value measurement

"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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

3.6 Financial instruments - continued

(e) Fair value measurement - continued

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

3.7 Impairment

(a) Non-derivative financial assets

(i) Financial instruments

The Company performs impairment assessment under ECL model on financial assets (including debt investments at amortised cost, other receivables, amount due from immediate holding company, pledged and restricted deposits and time deposits with original maturity over three months and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3.7 Impairment - continued

(a) Non-derivative financial assets - continued

(i) Financial instruments - continued

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

The Company measures the loss allowances equal to 12-month ECLs, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risks of a default occurring since initial recognition.

(ii) Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

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

3.7 Impairment - continued

(a) Non-derivative financial assets - continued

(ii) Significant increase in credit risk - continued

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is per formed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status, credit risk ratings and collateral types.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(iii) Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates a more lagging default criterion is more appropriate.

(iv) Measurement of ECLs

The measurement of ECLs is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data and forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECLs are the differences between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

ECLs are remeasured at each reporting date to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

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

3.7 Impairment - continued

(a) Non-derivative financial assets - continued

(v) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(vi) Basis of calculation of interest income on credit-impaired financial assets

Interest income recognised in accordance with Note 3.14(ii) 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 the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial asset.

(vii) Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

3.7 Impairment - continued

(a) Non-derivative financial assets - continued

(viii) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. A write-off constitutes a derecognition and any subsequent recoveries are recognised in the profit or loss.

3.8 Insurance contracts

(a) Definitions and classifications

Products sold by the Company are classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

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

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company 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 Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

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.

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

3.8 Insurance contracts - continued

(b) Level of aggregation

Insurance contracts are aggregated into groups of contracts 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 Company 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.

(c) Recognition

The Company 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.

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

3.8 Insurance contracts - continued

(c) Recognition - continued

However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the 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 Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

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

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

(e) Measurement

The Company 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. also uses PAA for measuring groups of insurance contract issued and groups of reinsurance contract held with coverage periods of greater than one year when there is no material difference in the carrying amount of the liability for remaining coverage ("LRC") at each reporting date under PAA and the general measurement model ("GMM") for a particular group of contracts.

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

3.8 Insurance contracts - continued

(e) Measurement - continued

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 Company expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company 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 Company 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 Company applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

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

3.8 Insurance contracts - continued

(e) Measurement - continued

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

The Company 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 be recognised in statement of profit or loss and other comprehensive income.

(f) Modification and derecognition

The Company 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 Company 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.

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

3.8 Insurance contracts - continued

(f) Modification and derecognition - continued

If the contract modification meets any of the conditions, the Company 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 Company 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 Company 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 Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

(i) Insurance revenue

When applying the PAA, the Company 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.

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

3.8 Insurance contracts - continued

(g) Presentation and disclosure - continued

(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 Company 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 Company 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.

(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.

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

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, deposits held at call with banks, cash investments with original maturity of three months or less from the date of investment less bank overdrafts.

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

3.11 Income tax - continued

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries and associates to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment property is carried at its fair value in accordance with the accounting policy set out in note 3.5, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of that investment property at its carrying value at the reporting date unless that investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in that investment property over time, rather than through sale.

Deferred tax assets and liabilities are measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

3.12 Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are paid or accrued in the year in which the associated services are rendered by employees. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

3.12 Employee benefits - continued

(ii) Employee leave entitlement

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Retirement benefits costs

The Company pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. These pension plans are defined contribution schemes which the Company pays fixed contributions and has no further payment obligations once the contributions have been paid. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employees benefits expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy without realistic possibility of withdrawal. Benefits falling due more than twelve months after the reporting date are discounted to present value.

3.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow of economic benefits will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow of economic benefits with respect to any one item included in the same class of obligations may be small.

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

3.13 Provisions - continued

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3.14 Revenue recognition

(i) Insurance revenue

The basis of recognition of insurance revenue is detailed in note 3.8(g), (i).

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets.

(iii) Rental income from investment properties

Rental income receivable under operating lease is recognised in the profit or loss in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable.

(iv) Dividend

Dividend income from listed equity securities at FVOCI are recognised when the shareholder's right to receive payment is established.

3.15 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

3.15 Leases - continued

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the commencement date of a lease, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. For the Company, the low-value assets are typically office equipment. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a straight-line basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The lease payments include:

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

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

3.15 Leases - continued

(i) As a lessee - continued

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option or a lease contract is modified and the lease modification is not accounted for as a separate lease according to the lease modifications policy. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item in the statement of financial position. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting date.

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

3.15 Leases - continued

(i) As a lessee - continued

Lease modifications

The Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company accounts for the remeasurement of lease liability by making corresponding adjustments to the relevant right-of-use asset.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative standalone selling price basis. The rental income from operating leases is recognised in accordance with note 3.14.

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modifications

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

3.15 Leases - continued

(ii) As a lessor - continued

Operating leases

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.16 Related parties

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

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

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefits plan for the benefits of employees of either the company or an entity related to the company.

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

3.16 Related parties - continued

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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of 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 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 Company'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 Company 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 Company's financial position and results in all material respects.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) PAA eligibility test

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

Most of the contracts issued by the Company 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 with a coverage period longer than one year with reference to materiality determined for such assessment. To conduct PAA eligibility assessment, the Company will determine the cartying amount to the LRC at each reporting date under a range of future scenarios that the Company would reasonably expect, within the context of the particular group under 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.

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

(a) Critical judgements in applying accounting policies - continued

(i) PAA eligibility test - continued

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 financial statements.

(ii) Level of aggregation

Insurance contracts are aggregated into groups of contracts for measurement purposes. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. The Company 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 divided into annual cohorts and each annual cohort 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.

For each portfolio of contracts, the Company 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 Company uses significant judgement to determine at what level of granularity the Company 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 Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

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

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

(a) Critical judgements in applying accounting policies - continued

(iii) Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties located in Hong Kong and Mainland China that are measured using the fair value model, the directors of the Company have reviewed the Company's investment property portfolios and concluded that the Company's investment properties 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 determining the deferred taxation on investment properties, the directors of the Company 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. The Company has not recognised any deferred tax on changes in fair value of investment properties located in Hong Kong as the Company is not subject to any income taxes on the fair value changes of those investment properties on disposal. Deferred taxation of Land Appreciation Tax has been provided in relation to the change in fair value of investment properties located in Mainland China.

(b) Key sources of estimation uncertainty

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

(i) 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

(b) Key sources of estimation uncertainty - continued

(i) 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 Company is less than last liquid point (30 years), the Company adopts the risk- free rates as published by the Insurance Authority for determination of Risk Based Capital ("RBC"), which are based on observable market information of swaps or government bonds. The Company considers the adoption of the RBC risk-free rates is to be market consistent.

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

The Company 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 Company 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 5(b).

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

(b) Key sources of estimation uncertainty - continued

(ii) Estimate of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuer. The determination of the fair value involves certain assumptions of market conditions which are set out in note 9. The best evidence of fair value of investment properties held by the Company is current prices in an active market for similar lease or other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making this judgement, the Company considers information including current prices in an active market for properties of different nature, condition and location (or subject to different lease or other contracts) adjusted to reflect those differences, or recent prices of similar properties in less active markets with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. At 31 December 2024, the fair value of the Company's investment properties was HK$124,315,750 (2023: HK$125,714,800).

(iii) Deferred tax asset

As at 31 December 2024, a deferred tax asset of HK$1,272,344 (2023: HK$1,272,344) in relation to unused tax losses has been recognised in the statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$118,519,000 (2023: HK$118,538,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Details of deferred tax are set out in note 20.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company's business activities expose it to a variety of insurance risk and financial risks including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. This note summarises the Company's exposure to these risks, as well as its objectives, policies and processes for managing and the methods used to measure these risks.

The Company's investment policy is to prudently invest its funds in a manner which satisfies the Company's liquidity requirements and generates optimal returns to the Company within a manageable risk level. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's performance.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

The Company has put in place an internal control system, including establishment of the Company's organisation structure that sets adequately clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote appropriate internal control environment.

(a) Categories of financial instruments

	2024 HK$	2023 HK$
Financial assets		
Debt investments at amortised cost	73,090,220	42,804,943
Equity securities at fair value through other comprehensive income	32,046,554	32,709,835
Other receivables and deposits	20,203,556	3,121,269
Amount due from immediate holding company	188,179	210,871
Pledged and restricted deposits and time deposits with original maturity over three months	174,387,817	197,506,653
Cash and cash equivalents	82,025,999	65,941,985
	381,942,325	342,295,556
Financial liability		
Other payables	3,505,541	4,549,120

(b) Insurance risk

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages such risk.

The risks under any one insurance contract are the possibility that the insured event occurs and the uncertainty of the amount of the resulting claims. By the very nature of an insurance contract, these risks are random and therefore unpredictable.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

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

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(b) Insurance risk - continued

(i) 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 Company 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 Company 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 Company to pursue third parties for payment of some or all costs (subrogation). Unless the legislation requires, the Company'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 Company should not suffer total net insurance losses more than the prescribed amount. In addition to the overall Company reinsurance programme, additional reinsurance protection for any individual risk is arranged when necessary.

The Company conducts insurance business in Hong Kong and Macau, therefore it does not have a significant concentration of underwriting risk.

The concentration of insurance risk before reinsurance in relation to types 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 benefits:

	2024 HK$	2023 HK$
Motor	64,241,526	54,433,095
General liability	33,648,153	31,537,398
Property damage	30,534,012	20,637,257
Treaty inwards	33,456,137	35,487,696
Others	3,759,962	2,705,741
	165,639,790	144,801,187

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(b) Insurance risk - continued

(ii) Sources of uncertainty in the estimation of future claims payments

Claims on insurance contracts are payable on a claim-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of claims provision relates to incurred but not reported claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for body injury suffered. Such awards are lump-sum payments that are calculated as the present value of the loss of earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that there is appropriate information regarding its claims exposures. However given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original established liability.

In calculating the estimated cost of unpaid claims (both reported or not), the Company's estimation technique is a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claim experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The estimation of ultimate losses is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. In estimating ultimate losses which makes reasonable provisions for the claims, it is necessary to project future claims cost and associated claims expenses and simulates the outcomes of claims liabilities using models. These models are a simplified representation of many legal, social and economic forces and may not be entirely appropriate for the types of insurance business being analysed. It is certain that actual future claim and claims expenses will not develop exactly as projected and may vary significantly from the projections.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(b) Insurance risk - continued

(ii) Sources of uncertainty in the estimation of future claims payments - continued

In estimating the liability for the cost of reported claims not yet paid the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Company adopts multiple techniques to estimate the required level of insurance contract liabilities. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

(iii) Process used to decide on assumptions

The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, different techniques or combination of techniques have been selected for individual accident years or groups of accident years within the same class of business.

In estimating the claims liabilities of the Company's insurance portfolio, the paid and incurred loss development methods supplemented by BF method are applied.

The paid and incurred loss development methods are used to project the ultimate costs of the claims, and the BF method relies on a gradual transition from an estimated loss ratio to an experience-rated development. BF method is applied to the more recent accident years, for which the paid and incurred loss development methods may yield less accurate results.

(iv) Reinsurance arrangement

The Company 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 Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The Company also considers the long-established business relationship with the reinsurers.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(b) Insurance risk - continued

(iv) Reinsurance arrangement - continued

The Company has also limited its exposure to a certain level by use of reinsurance arrangements in order to limit exposure to catastrophic events, such as earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit the exposure to catastrophes to a pre- determined maximum amount based on the Company's risk appetite. For a single realistic catastrophic event, the maximum exposure is less than 5% of the shareholders' equity of the Company, on a net basis.

(v) Insurance claims development tables

The table below summarises actual claims compared with previous estimates of the undiscounted amount of the claims. The Company presents information on the gross and net claims development for claims incurred 6 years before the reporting period. The Company reconciles the undiscounted claims liabilities presented in the table with the aggregate carrying amount of the liabilities for incurred claims before risk adjustment for non-financial risk.

The Company has not disclosed previously unpublished information about claims development that occurred earlier than six years before the end of the annual reporting period.

Accident year	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	2024 HK$'000	Total HK$'000
Gross claims development							
Estimate of undiscounted ultimate gross claims							
- at end of accident year	19,616	25,069	30,610	33,474	55,171	48,054	
- one year later	12,742	38,899	54,008	54,976	59,826		
- two years later	11,213	49,072	61,870	57,898			
- three years later	10,252	50,650	60,034				
- four years later	9,555	49,487					
- five years later	9,449						
Current estimate of cumulative claims	9,449	49,487	60,034	57,898	59,826	48,054	284,748
Cumulative payment to date	(8,848)	(37,352)	(39,619)	(27,315)	(17,304)	(2,691)	(133,129)
Gross liabilities accident years 2019 - 2024	601	12,135	20,415	30,583	42,522	45,363	151,619
Gross liabilities in respect of prior years before 2019							747
Claims payable							10,075
Effect of the risk adjustment for non-finance risk							14,564
Effect of discounting							(9,297)
Gross liabilities for incurred claims							167,708

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(b) Insurance risk - continued

(v) Insurance claims development tables - continued

Accident year	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	2024 HK$'000	Total HK$'000
Net claims development							
Estimate of undiscounted ultimate net claims							
- at end of accident year	15,169	21,173	26,673	28,977	43,901	41,533	
- one year later	11,765	34,901	48,899	49,429	49,133		
- two years later	10,302	43,920	57,042	52,697			
- three years later	9,413	46,573	54,781				
- four years later	8,727	44,572					
- five years later	8,617						
Current estimate of cumulative claims	8,617	44,572	54,781	52,697	49,133	41,533	251,333
Cumulative payment to date	(8,035)	(33,482)	(35,219)	(24,299)	(12,340)	(2,569)	(115,944)
Net liabilities accident years 2019 - 2024	582	11,090	19,562	28,398	36,793	38,964	135,389
Net liabilities in respect of prior years before 2019							749
Claims payable							3,391
Effect of the risk adjustment for non-finance risk							13,325
Effect of discounting							(8,586)
Gross liabilities for incurred claims							144,268

(vi) Sensitivity analysis

The reasonableness of the estimation process is tested by an analysis of sensitivity around different scenarios. The change in the monetary awards granted for bodily injury suffered and also the employers' liabilities claims are the most critical to the assumptions used to estimate the liabilities for these insurance contracts.

The Company believes that the liabilities for these claims carried at the reporting date are adequate. However, an increase or a decrease of 10% in the costs of these claims would require the recognition of an additional loss or gain of approximately HK$10.93 million (2023: approximately HK$10.86 million) net of reinsurance.

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

	2024			2023		
	Increase/ (decrease) in variables %	Effect on profit before taxation - gross HK$'000	Effect on profit before taxation - net of reinsurance HK$'000	Increase/ (decrease) in variables %	Effect on profit before taxation - gross HK$'000	Effect on profit before taxation - net of reinsurance HK$'000
Risk adjustment factor	2	(2,133)	(1,906)	2	(2,043)	(1,822)
	(2)	2,133	1,906	(2)	2,043	1,822
Current year ultimate loss ratio	5	(11,089)	(9,608)	5	(10,401)	(8,849)
	(5)	8,873	7,632	(5)	8,607	7,308

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(c) Financial risk

The Company's major financial instruments include, debt investments at amortised cost, equity securities at fair value through other comprehensive income, other receivables, amount due from immediate holding company, pledged and restricted deposits and time deposits with original maturity over three months, cash and cash equivalents, other payables. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Board had approved specific investment and fund management restrictions and guidelines that form an integral part of risk control. Specific limits are set for specific fund to control risks (permissible asset type, asset allocation, liquidity, credit, counterparty concentration and market risks) of the investment.

Market risk is the risk of loss that results from movements in market rates and prices. The risk includes potential losses arising from changes in foreign exchange rates, interest rates, equity prices.

The Company's risk management objective is to enhance shareholders' value by maintaining risk exposures within acceptable limits. The Company's control of market risk is based on restricting individual operation to invest within a list of permissible instruments authorised by the Board to ensure all risks arising are thoroughly identified, properly measured and adequately controlled.

(i) Cash flow and fair value interest rate risk

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

The Company's interest bearing assets and liabilities mainly comprise bank deposits, debt investments at amortised cost, LIC for insurance contracts issued and reinsurance contracts held, which bear fixed interest rates and expose the Company to fair value interest rate risk. The Company manages these risks primarily through maintaining the maturity profile of these assets within a short to medium period and monitoring the market interest rate movements so that the Company can react accordingly when there are adverse interest rate movements. The Company is not subject to significant amounts of fair value interest rate risk as these financial assets are carried at amortised cost.

The Company is not subject to significant amounts of fair value interest rate risk as the saving accounts, bank deposits, and debt investments are carried at amortised cost. Therefore, no sensitivity analysis is presented.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(c) Financial risk - continued

(i) Cash flow and fair value interest rate risk - continued

The following table indicates the approximate changes in the Company'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:

	2024		2023	
	Change in interest rate Basis points	Effect on profit after taxation and retained profits HK$	Change in interest rate Basis points	Effect on profit after taxation and retained profits HK$
Insurance contracts issued	100	2,111,598	100	1,894,939
	(100)	(2,199,737)	(100)	(1,968,836)
Reinsurance contracts held	100	(160,293)	100	(156,574)
	(100)	165,355	(100)	161,566

The above sensitivity analysis has been determined assuming that the changes in interest rates had occurred and had been applied to the exposure to interest rate risk for insurance contracts issued and reinsurance contracts held with variable interest rates held by the Company at the reporting date. The 100 basis points increase or decrease represents management's assessment of the reasonably possible changes in interest rates over the period until the next reporting date.

(ii) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rates relating to assets/liabilities denominated in foreign currencies. The Company operates mainly in Hong Kong and Macau through Macau branch with functional currency of Hong Kong dollars and Macao Patacas ("MOP") respectively and, the exposure to the foreign exchange risk of the Company is not considered to be significant. The Company's primary exposures and the Macau branch's exposures to foreign exchange risks are HK$, Renminbi ("RMB") and United States dollars ("USD").

As a result of the pegged rate between MOP and HKD and HKD and USD, the management believes the foreign exchange risk arising from the exposure of these currencies is minimal. Accordingly no sensitivity analysis is presented for HKD and USD.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(c) Financial risk - continued

(ii) Foreign exchange risk - continued

In respect of assets and liabilities held in currencies other than the functional currency of the operations to which they relate, the Company ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Company's major exposure at the reporting date to foreign exchange risk arising from recognised financial assets and liabilities denominated in RMB:

	2024 HK$	2023 HK$
Assets		
Other receivables	88,926	581,439
Equity securities at fair value through other comprehensive income	2,675,664	6,015,025
Pledged and restricted deposits and fixed deposits with original maturity over three months	9,140,854	9,233,760
Cash and cash equivalents	855,154	531,573
	12,760,598	16,361,797
Liabilities		
Other payable	-	(217,322)

The following table indicates the approximate change in the Company's profit after taxation and retained profits, and other components of equity in response to possible changes in the foreign exchange rates to which the Company have significant exposure at the reporting date:

	2024			2023		
	Increase/ (decrease) in foreign exchange rate %	Effect on profit after taxation and retained profits HK$	Effect on other components of equity HK$	Increase/ (decrease) in foreign exchange rate %	Effect on profit after taxation and retained profits HK$	Effect on other components of equity HK$
Renminbi	5	421,046	133,783	5	422,905	300,751
	(5)	(421,046)	(133,783)	(5)	(422,905)	(300,751)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred and had been applied to re-measure those financial instruments held by the Company which expose to foreign exchange risk at the reporting date, and that all other variables, in particular interest rate, remained constant.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(c) Financial risk - continued

(ii) Foreign exchange risk - continued

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on profit after taxation of Company and Macau branch measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the reporting date for presentation purposes. The analysis is performed on the same basis for 2023.

(iii) Equity price risk

The Company is exposed to equity price changes arising from equity securities at fair value through other comprehensive income.

At 31 December 2024, a hypothetical 10% variance in market prices, with all other variables held constant, would have increased/decreased the Company's other components of equity as follows:

	Effect on other components of equity	
	2024	2023
	HK$	HK$
Change in the relevant equity price risk variable		
Increase 10%	2,675,887	2,731,271
Decrease (10%)	(2,675,887)	(2,731,271)

The sensitivity analysis indicates the instantaneous change in the Company's fair value reserve that would arise assuming that the changes in the market value of listed securities had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Company which expose the Company to equity price risk at the end of the reporting period.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(d) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to or unwilling to fulfill its repayment obligations for amounts due to the Company. The Company's credit risk is primarily attributable to insurance contract assets, reinsurance contract assets, pledged and restricted deposits and time deposits with original maturity over three months, cash and cash equivalents, debt investments at amortised cost, amount due from immediate holding company, and other receivables and deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer/counterparty and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers/counterparties.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk which is subject to annual review. At each reporting date, the Company performs and assessment of non-performance risk of reinsurers by reviewing their financial strength and updates the reinsurance purchase strategy if any.

At 31 December 2024, 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 A- or higher (2023: A- or higher) assigned by international credit-rating agencies. These reinsurance companies have a low risk of non-performance. As at 31 December 2024, the credit risk exposure for insurance contract assets is HK$3,446,893 (2023: HK$1,460,295) and reinsurance contract assets is HK$17,757,072 (2023: HK$15,019,800).

The Company has concentration of credit risk arising from bank balances, other receivables and deposits and debt investments at amortised cost. As at 31 December 2024, credit risk on these financial assets is limited because they were primarily placed with reputable financial institutions or regulated entities with diversification. These financial institutions or entities have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECLs.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(d) Credit risk - continued

The credit ratings by international credit-rating agencies and maximum credit exposure of pledged and restricted deposits and time deposits with original maturity over three months, cash and cash equivalents, debt investments at amortised cost, and other receivables and deposits are summarised as follows:

	2024				
	AA+ to AA- HK$	A+ to A- HK$	BBB+ to BBB- HK$	Not rated HK$	Total HK$
Pledged and restricted deposits and time deposits with original maturity over three months	-	153,073,512	21,314,305	-	174,387,817
Cash and cash equivalents exclude cash on hand	92,729	74,561,142	7,366,838	-	82,020,709
Debt investments at amortised cost	10,505,744	62,584,476	-	-	73,090,220
Other receivables and deposits	-	19,629,891	-	-	19,629,891
Amount due from immediate holding company	-	-	-	188,179	188,179
	10,598,473	309,849,021	28,681,143	188,179	349,316,816

	2023				
	AA+ to AA- HK$	A+ to A- HK$	BBB+ to BBB- HK$	Not rated HK$	Total HK$
Pledged and restricted deposits and time deposits with original maturity over three months	-	175,708,782	21,797,871	-	197,506,653
Cash and cash equivalents exclude cash on hand	106,718	63,012,565	2,817,400	-	65,936,683
Debt investments at amortised cost	5,780,926	37,024,017	-	-	42,804,943
Other receivables	-	2,692,273	-	-	2,692,273
Amount due from immediate holding company	-	-	-	210,871	210,871
	5,887,644	278,437,637	24,615,271	210,871	309,151,423

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its cash flow needs or commitments. Liquidity risk may result from either the inability to sell financial assets at fair values, a counterparty failing on repayment of a contractual obligation or insurance contract liability falling due for payment earlier than expected.

Due to the nature of the Company's underlying business, investments are kept sufficiently liquid to meet operating needs. In addition, the Company maintains flexibility in funding by keeping surplus cash for contingency when necessary.

The following table details the remaining contractual value at the reporting date of the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay and expected undiscounted cash flow for LIC for insurance contracts issued as well as undiscounted cash flows expected to be received on related reinsurance contracts held.

	Contractual/expected cash flows (undiscounted) 2024			
	Carrying amount HK$	Total undiscounted cash flows HK$	Within 1 year HK$	Over 1 year HK$
Liabilities				
Lease liabilities	(3,837,036)	(4,054,152)	(2,159,076)	(1,895,076)
Other payables	(8,063,488)	(8,063,488)	(6,253,734)	(1,809,754)
	(11,900,524)	(12,117,640)	(8,412,810)	(3,704,830)

	Contractual/expected cash flows (undiscounted) 2024			
	Carrying amount HK$	Total undiscounted cash flows HK$	Within 1 year HK$	Over 1 year HK$
Assets				
Reinsurance contracts held	22,201,264	22,912,624	10,859,055	12,053,569
Liabilities				
Insurance contracts issued	153,143,780	162,440,044	77,328,394	85,111,650

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(e) Liquidity risk - continued

	Contractual/expected cash flows 2023			
	Carrying amount HK$	Total undiscounted cash flows HK$	Within 1 year HK$	Over 1 year HK$
Liabilities				
Lease liabilities	(2,526,930)	(2,607,984)	(2,295,984)	(312,000)
Other payables	(9,509,739)	(9,509,739)	(9,509,739)	-
	(12,036,669)	(12,117,723)	(11,805,723)	(312,000)

	Contractual/expected cash flows 2023			
	Carrying amount HK$	Total undiscounted cash flows HK$	Within 1 year HK$	Over 1 year HK$
Assets				
Reinsurance contracts held	17,996,586	18,934,573	10,615,760	8,318,813
Liabilities				
Insurance contracts issued	(148,084,415)	(156,078,344)	(73,151,157)	(82,927,187)

(f) Capital management

The capital requirements of the Company are mainly set and regulated by the Insurance Authority and these requirements are put in place to ensure sufficient solvency margins. The Company is required to maintain the value of its assets to be greater than the aggregate amount of its liabilities and the relevant amount within the meaning of Section 10 of the Ordinance. The Company is also required to comply with the capital requirement to ensure its capital base is not less than each of its prescribed capital amount, its minimum capital amount and HK$ 20 million.

In addition, the Macau branch of the Company is required by the Macau Insurance Ordinance to set up technical reserves and to maintain a margin of solvency sufficient to meet the liabilities arising from its activities in Macau. The technical reserves shall be guaranteed by equivalent and congruent assets located in Macau, unless authorised by Autoridade Monetária De Macau to utilise overseas assets.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(f) Capital management - continued

The Company also maintains a healthy capital ratios in order to support its business objectives and maximise shareholder's value.

The Company manages its capital requirements by assessing any shortfalls between the reported and required relevant amounts on a regular basis. The Company fully complied with the externally imposed requirements of the Insurance Authority and Autoridade Monetária De Macau during the reported financial periods.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. These objective are:

- to match the profile of its assets and liabilities, taking account of the risk inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining appropriate liquidity and access to a range of capital markets; and
- to allocate capital efficiently to support growth.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid or issue new shares.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(g) Fair value hierarchy

(i) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following hierarchy of methods:

Level 1 Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Fair values measured using quoted prices in active markets for similar assets or liabilities, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 Fair values measured using valuation techniques in which significant inputs are not based on observable market data

The following table presents the carrying value of financial instruments held by the Company as at 31 December 2024, measured at fair value across the three levels of the fair value hierarchy, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement:

	2024			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Equity securities at fair value through other comprehensive income	32,046,554	-	-	32,046,554
	32,046,554	-	-	32,046,554

	2023			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Equity securities at fair value through other comprehensive income	32,709,835	-	-	32,709,835
	32,709,835	-	-	32,709,835

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK - continued

(g) Fair value hierarchy - continued

(i) Financial instruments carried at fair value - continued

The fair value of financial instruments traded in active markets (such as listed equity securities measured at FVOCI) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These financial instruments are included in Level 1 of the fair value hierarchy.

During the year there was no transfer of financial instruments between Level 1 and Level 2 of the fair value hierarchy, or transfer of financial instruments into or out of Level 3 of the fair value hierarchy. The Company's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(ii) Fair value of financial instruments carried at other than fair value

The carrying value of financial assets at amortised cost approximate their fair value. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

6. INSURANCE SERVICE EXPENSES

	2024 HK$	2023 HK$
Incurred claims and other incurred insurance service expenses	(54,773,111)	(62,676,462)
Changes that related to past service: Adjustment to the LIC	(1,069,150)	(6,915,896)
Changes that related to future service:		
Loss on onerous groups of contracts and reversal of such losses	1,401,208	(2,105,726)
Insurance acquisition cash flows amortisation	(94,059,044)	(91,308,730)
	(148,500,097)	(163,006,814)

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$	Office equipment HK$	Computer equipment HK$	Motor vehicle HK$	Total HK$
COST					
At 1 January 2023	1,743,753	138,773	1,103,857	-	2,986,383
Additions	6,804	4,000	22,397	1,007,768	1,040,969
Disposals	(4,032)	-	-	-	(4,032)
At 31 December 2023	1,746,525	142,773	1,126,254	1,007,768	4,023,320
At 1 January 2024	1,746,525	142,773	1,126,254	1,007,768	4,023,320
Additions	12,927	-	89,833	162,991	265,751
Disposals	(48,746)	(38,644)	(66,588)	(1,007,768)	(1,161,746)
At 31 December 2024	1,710,706	104,129	1,149,499	162,991	3,127,325
ACCUMULATED DEPRECIATION					
At 1 January 2023	1,527,148	40,141	475,034	-	2,042,323
Charge for the year	21,518	6,945	260,065	16,796	305,324
Write back on disposals	(2,299)	-		-	(2,299)
At 31 December 2023	1,546,367	47,086	735,099	16,796	2,345,348
At 1 January 2024	1,546,367	47,086	735,099	16,796	2,345,348
Charge for the year	167,058	45,945	168,946	32,604	414,553
Write back on disposals	(48,746)	(33,706)	(66,588)	(16,796)	(165,836)
At 31 December 2024	1,664,679	59,325	837,457	32,604	2,594,065
NET BOOK VALUE					
At 31 December 2024	46,027	44,804	312,042	130,387	533,260
At 31 December 2023	200,158	95,687	391,155	990,972	1,677,972

8. RIGHT-OF-USE ASSETS

	Properties leased for own use HK$
At 1 January 2023	4,533,050
Charge for the year	(2,131,758)
At 31 December 2023 and 1 January 2024	2,401,292
Addition for the year	3,529,182
Charge for the year	(2,131,757)
At 31 December 2024	3,798,717

8. RIGHT-OF-USE ASSETS - continued

Total cash outflow for leases was HK$2.30 million (2023: HK$2.27 million) during the year.

Lease liabilities of HK$3.84 million (2023: HK$2.53 million) were recognised with related right-of-use assets of HK$3.80 million (2023: HK$2.40 million) at 31 December 2024. The lease agreement did not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

A lease agreement on the same leased premise was renewed on 13 September 2024 by and between the Company as lessee and Take Chance Company Limited, a fellow subsidiary, as lessor. The lease agreement has commenced on 01 January 2025 and will end on 31 December 2026.

For both years, the Company leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 5 years (2023: 2 to 5 years), but may have termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

The Company has termination options in the leases which are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. One of the termination options held is exercisable only by the Company and not by the respective lessor.

The Company has assessed at lease commencement date that it is reasonably certain not to exercise the termination options.

In addition, the Company reassesses whether it is reasonably certain not to exercise the termination options, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2023: Nil).

9. INVESTMENT PROPERTIES

	2024 HK$	2023 HK$
AT FAIR VALUE		
At 1 January	125,714,800	123,520,000
Fair value (loss)/gains	(1,399,050)	2,194,800
At 31 December	124,315,750	125,714,800

The investment properties were revalued at 31 December 2024 by an independent professional valuer, namely Savills Valuation and Professional Services (China) Limited.

9. INVESTMENT PROPERTIES - continued

The Company's interests in investment properties at their carrying amounts are analysed as follows:

	2024 HK$	2023 HK$
Lease held in Hong Kong		
Between 10 and 50 years	119,000,000	120,000,000
Lease held outside Hong Kong		
Between 10 and 50 years	5,315,750	5,714,800
Closing net book value	124,315,750	125,714,800

The title deeds in respect of an investment property in Hong Kong with a fair value of HK$119 million (2023: HK$120 million) held by Company are placed in the custody of the Insurance Authority pursuant to the relevant regulatory requirements. The requirement to place in the custody of the Insurance Authority the title deeds in respect of that investment property was rescinded during the year and the title deeds were returned to the Company.

The Company leases out the investment properties under operating leases. The leases typically run for an initial period of 3 to 8 years (2023: 3 to 8 years) with an option to renew the lease after that date at which all terms are renegotiated. None of the leases includes contingent rentals.

The following table presents the fair value of investment properties held by the Company measured at 31 December 2024 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique.

Fair value adjustment of investment properties is recognised in the line item "Net fair value (losses)/gains on investment properties" on the face of the statement of profit or loss and other comprehensive income/(losses). All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

	2024 HK$	2023 HK$
Recurring fair value measurement		
Level 3		
Hong Kong:		
Commercial properties	119,000,000	120,000,000
Mainland China:		
Residential properties	5,315,750	5,714,800
At 31 December	124,315,750	125,714,800

9. INVESTMENT PROPERTIES - continued

All the investment properties carried at fair value held by the Company were measured using Level 3 of the fair value hierarchy. During the year there was no transfer into or out of Level 3 of the fair value hierarchy. The Company's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

As at 31 December 2024 and 2023, the fair value of commercial property located in Hong Kong was determined by income capitalisation approach. The current use is the highest and best use. The significant unobservable inputs applied in valuation measurement are capitalisation rate of 5% (2023: 5%) and monthly market rental of HK$33.1 (2023: HK$33.4) per square feet. The fair value measurement is negatively correlated to the capitalisation rate and positively correlated to the monthly market rental.

As at 31 December 2024 and 2023, the fair value of residential property located in Mainland China was determined by income capitalisation approach. The current use is the highest and best use. The significant unobservable inputs applied in valuation measurement are capitalisation rate of 1.5% (2023: 1.5%) and monthly market rental of RMB27.5 (2023: RMB27.5) per square meter. The fair value measurement is negatively correlated to the capitalisation rate and positively correlated to the monthly market rental.

10. INTANGIBLE ASSETS

	Computer software HK$
COST	
At 1 January 2023	4,345,662
Addition	87,000
At 31 December 2023	4,432,662
At 1 January 2024	4,432,662
Addition	625,000
At 31 December 2024	5,057,662
ACCUMULATED AMORTISATION	
At 1 January 2023	3,241,741
Provided for the year	399,269
At 31 December 2023	3,641,010
At 1 January 2024	3,641,010
Provided for the year	564,847
At 31 December 2024	4,205,857
CARRYING VALUE	
At 31 December 2024	851,805
At 31 December 2023	791,652

10. INTANGIBLE ASSETS - continued

Amortisation of intangible assets is recognised on a straight-line basis over their estimated useful lives, as follows:

Computer software in Hong Kong office	4 years
Computer software in Macau branch	3 years

11. DEBT INVESTMENTS AT AMORTISED COST

	2024 HK$	2023 HK$
Debt investments listed in Hong Kong	43,276,686	38,612,661
Debt investments listed outside Hong Kong	25,484,114	-
Unlisted debt investments	3,986,437	3,980,964
Interest receivable	659,726	361,299
	73,406,963	42,954,924
ECL recognised	(316,743)	(149,981)
At 31 December	73,090,220	42,804,943

At 31 December 2024, the Company's debt investments at amortised cost were unsecured, had fixed maturities from 2025 to 2028 (2023: from 2025 to 2028) and fixed interest rates ranging from 1.75% to 5.625% (2023: 1.75% to 4.75%) per annum.

The movement of impairment allowances recognised at amounts equal to 12 months ECL:

	2024 HK$	2023 HK$
At 1 January	149,981	-
ECLs recognised in current year	168,783	149,981
Exchange movement	(2,021)	-
At 31 December	316,743	149,981

12. EQUITY SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 HK$	2023 HK$
Equity shares at fair value		
- Listed in Hong Kong	29,370,890	26,694,810
- Listed outside Hong Kong	2,675,664	6,015,025
At 31 December	32,046,554	32,709,835

13. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Note	2024 HK$	2023 HK$
Prepayments		784,420	1,432,172
Utility deposits		18,480	18,996
Amounts due from brokers		9,629,891	2,692,273
Cash deposit with reinsurer	(a)	10,000,000	-
Others		555,185	410,000
Total		20,987,976	4,553,441
Current portion		10,559,496	4,124,475
Non-current portion		10,428,480	428,966
		20,987,976	4,553,441

(a) Pursuant to the requirement of a reinsurance company that has entered into the Non-life Reinsurance Facility with the Company, the Company has placed a cash deposit of HK$10 million as a collateral at 31 December 2024.

14. INSURANCE CONTRACT ASSETS AND LIABILITIES

	Loss component HK$	Excluding loss component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening assets	-	-	-	-	-
Opening liabilities	(886,121)	27,729,259	(124,624,804)	(5,972,126)	(103,753,792)
At 1 January 2023	(886,121)	27,729,259	(124,624,804)	(5,972,126)	(103,753,792)
Insurance revenue	-	191,824,406	-	-	191,824,406
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(58,066,563)	(4,609,899)	(62,676,462)
Adjustments to liabilities for incurred claims	-	-	(3,132,328)	(3,783,568)	(6,915,896)
Loss on onerous contracts	(2,105,726)	-	-	-	(2,105,726)
Amortisation on insurance acquisition cash flows	-	(91,308,730)	-	-	(91,308,730)
	(2,105,726)	(91,308,730)	(61,198,891)	(8,393,467)	(163,006,814)
Insurance service result	(2,105,726)	100,515,676	(61,198,891)	(8,393,467)	28,817,592
Finance expense from insurance contracts issued	-	-	(5,564,992)	-	(5,564,992)
Total changes in the profit or loss	(2,105,726)	100,515,676	(66,763,883)	(8,393,467)	23,252,600
Cash flows:					
Premium received	-	(208,403,174)	-	-	(208,403,174)
Insurance acquisition cash flows	-	100,798,907	-	-	100,798,907
Claims and other insurance expenses paid	-	-	43,304,272	-	43,304,272
Total Cash flows	-	(107,604,267)	43,304,272	-	(64,299,995)
At 31 December 2023	(2,991,847)	20,640,668	(148,084,415)	(14,365,593)	(144,801,187)
Closing assets	-	4,327,091	(2,536,353)	(330,443)	1,460,295
Closing liabilities	(2,991,847)	16,313,577	(145,548,062)	(14,035,150)	(146,261,482)
At 31 December 2023	(2,991,847)	20,640,668	(148,084,415)	(14,365,593)	(144,801,187)

14. INSURANCE CONTRACT ASSETS AND LIABILITIES - continued

	Loss component HK$	Excluding loss component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening assets	-	4,327,091	(2,536,353)	(330,443)	1,460,295
Opening liabilities	(2,991,847)	16,313,577	(145,548,062)	(14,035,150)	(146,261,482)
At 1 January 2024	(2,991,847)	20,640,668	(148,084,415)	(14,365,593)	(144,801,187)
Insurance revenue	-	188,128,549	-	-	188,128,549
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(50,873,518)	(3,899,593)	(54,773,111)
Adjustments to liabilities for incurred claims	-	-	(4,771,023)	3,701,873	(1,069,150)
Loss on onerous contracts	1,401,208	-	-	-	1,401,208
Amortisation on insurance acquisition cash flows	-	(94,059,044)	-	-	(94,059,044)
	1,401,208	(94,059,044)	(55,644,541)	(197,720)	(148,500,097)
Insurance service result	1,401,208	94,069,505	(55,644,541)	(197,720)	39,628,452
Finance expense from insurance contracts issued	-	-	(4,680,822)	-	(4,680,822)
Total changes in the profit or loss	1,401,208	94,069,505	(60,325,363)	(197,720)	34,947,630
Cash flows:					
Premium received	-	(203,279,137)	-	-	(203,279,137)
Insurance acquisition cash flows	-	92,226,906	-	-	92,226,906
Claims and other insurance expenses paid	-	-	55,265,998	-	55,265,998
Total Cash flows	-	(111,052,231)	55,265,998	-	(55,786,233)
At 31 December 2024	(1,590,639)	3,657,942	(153,143,780)	(14,563,313)	(165,639,790)
Closing assets	-	20,372,041	(15,221,819)	(1,703,329)	3,446,893
Closing liabilities	(1,590,639)	(16,714,099)	(137,921,961)	(12,859,984)	(169,086,683)
At 31 December 2024	(1,590,639)	3,657,942	(153,143,780)	(14,563,313)	(165,639,790)

15. REINSURANCE CONTRACT ASSETS AND LIABILITIES

	Loss recovery component HK$	Excluding loss recovery component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening assets	-	(1,432,065)	12,268,771	900,492	11,737,198
Opening liabilities	-	(9,251,726)	395,327	36,103	(8,820,296)
At 1 January 2023	-	(10,683,791)	12,664,098	936,595	2,916,902
Allocation of reinsurance premiums paid	-	(25,452,033)	-	-	(25,452,033)
Amount recovered from reinsurers					
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	9,712,258	719,192	10,431,450
Changes in recoveries for past claims	-	-	(1,218,159)	(471,262)	(1,689,421)
Loss recovery on onerous underlying contracts and adjustments	103,993	-	-	-	103,993
	103,993	-	8,494,099	247,930	8,846,022
Net income (expenses) from reinsurance contracts held	103,993	(25,452,033)	8,494,099	247,930	(16,606,011)
Finance income from insurance contracts issued	-	-	260,676	-	260,676
Total changes in the profit or loss	103,993	(25,452,033)	8,754,775	247,930	(16,345,335)
Cash flows					
Premium paid	-	23,372,146	-	-	23,372,146
Amount received from reinsurers relating to incurred claims	-	-	(3,422,287)	-	(3,422,287)
Total cash flows	-	23,372,146	(3,422,287)	-	19,949,859
At 31 December 2023	103,993	(12,763,678)	17,996,586	1,184,525	6,521,426
Closing assets	15,258	(4,099,340)	17,924,672	1,179,210	15,019,800
Closing liabilities	88,735	(8,664,338)	71,914	5,315	(8,498,374)
At 31 December 2023	103,993	(12,763,678)	17,996,586	1,184,525	6,521,426

15. REINSURANCE CONTRACT ASSETS AND LIABILITIES - continued

	Loss recovery component HK$	Excluding loss recovery component HK$	Estimates of present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening assets	15,258	(4,099,340)	17,924,672	1,179,210	15,019,800
Opening liabilities	88,735	(8,664,338)	71,914	5,315	(8,498,374)
At 1 January 2024	103,993	(12,763,678)	17,996,586	1,184,525	6,521,426
Allocation of reinsurance premiums paid	-	(24,321,146)	-	-	(24,321,146)
Amount recovered from reinsurers					
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	7,164,206	464,475	7,628,681
Changes in recoveries for past claims	-	-	(286,160)	(410,552)	(696,712)
Loss recovery on onerous underlying contracts and adjustments	(71,121)	-	-	-	(71,121)
	(71,121)	-	6,878,046	53,923	6,860,848
Net income (expenses) from reinsurance contracts held	(71,121)	(24,321,146)	6,878,046	53,923	(17,460,298)
Finance income from insurance contracts issued	-	-	531,083	-	531,083
Total changes in the profit or loss	(71,121)	(24,321,146)	7,409,129	53,923	(16,929,215)
Cash flows					
Premium paid	-	26,578,825	-	-	26,578,825
Amount received from reinsurers relating to incurred claims	-	-	(3,204,451)	-	(3,204,451)
Total cash flows	-	26,578,825	(3,204,451)	-	23,374,374
At 31 December 2024	32,872	(10,505,999)	22,201,264	1,238,448	12,966,585
Closing assets	-	(4,210,152)	20,970,775	996,449	17,757,072
Closing liabilities	32,872	(6,295,847)	1,230,489	241,999	(4,790,487)
At 31 December 2024	32,872	(10,505,999)	22,201,264	1,238,448	12,966,585

16. PLEDGED AND RESTRICTED DEPOSITS AND TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

	2024 HK$	2023 HK$
Pledged and restricted deposits:		
Deposits with a related bank	20,851,599	20,851,599
Deposits with third party banks	81,468,821	97,468,821
Interest receivable	1,797,316	2,417,189
	104,117,736	120,737,609
Time deposits with original maturity over three months:		
Deposits with third party banks	69,059,072	75,786,726
Interest receivable	1,211,009	982,318
	70,270,081	76,769,044
	174,387,817	197,506,653

Pledged and restricted deposits and time deposits with original maturity over three months of the Company carried interest at market rates which ranged from 1.52% to 4.32% (2023: 3.2% to 5.23%) per annum at 31 December 2024.

Pursuant to the requirements from the Insurance Authority, the Company shall maintain at all times a portion of its funds of not less than HK$16 million in the name of "Insurance Authority account Min Xin Insurance Company Limited" in bank deposits as a statutory deposit. Accordingly, Min Xin Insurance has placed time deposits of HK$16 million in the name of "Insurance Authority account Min Xin Insurance Company Limited" with a bank in Hong Kon for fulfilment of such requirements at 31 December 2023. The requirements to maintain at all times of its funds of not less than HK$ 16 million in the name of "Insurance Authority account Min Xin Insurance Company Limited" were rescinded in February 2024 and the term deposits were released on maturity in August 2024.

The Company also maintains bank deposits of MOP18.41 million (equivalent to approximately HK$17.87 million) (2023: MOP18.41 million (equivalent to approximately HK$17.87 million)) and HK$69.45 million (2023: HK$69.45 million) which are restricted for fulfilling certain requirements under the Macau Insurance Ordinance.

Pursuant to the requirement of a standby letter of credit issued by a bank in Hong Kong in favour of a reinsurance company that has entered into the Non-life Reinsurance Facility with the Company, the Company has placed a bank deposit of HK$15 million (2023: HK$15 million) as a collateral for the standby letter of credit at 31 December 2024.

17. CASH AND CASH EQUIVALENTS

	2024 HK$	2023 HK$
Cash at bank and in hand		
Deposits with related banks	7,366,837	2,932,938
Deposits with third party banks	74,473,015	62,824,228
Interest receivable	180,857	179,517
Cash in hand	5,290	5,302
	82,025,999	65,941,985

Cash and cash equivalents of the Company carried interest at market rates which at 4.05% (2023: 4.7% to 5.23%) per annum at 31 December 2024.

18. OTHER PAYABLES

	2024 HK$	2023 HK$
Other payables	3,505,541	4,549,120
Accrued expenses	4,557,947	4,960,619
Total other payables and accrued expenses	8,063,488	9,509,739

19. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the current and previous reporting periods.

	31 December 2024		31 December 2023	
	Present value of the minimum lease payments HK$	Total lease payments HK$	Present value of the minimum lease payments HK$	Total lease payments HK$
Within 1 year	1,998,421	2,159,076	2,219,077	2,295,984
More than 1 year but less than 2 years	1,838,615	1,895,076	307,853	312,000
	3,837,036	4,054,152	2,526,930	2,607,984
Less: total future interest expenses		(217,116)		(81,054)
Present value of lease liabilities		3,837,036		2,526,930

19. LEASE LIABILITIES - continued

The weighted average incremental borrowing rates applied to lease liabilities was ranged from 2.3% to 5.69% (2023: 2.3% to 6.25%).

20. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current income tax payable in the statement of financial position represents:

	2024 HK$	2023 HK$
Provision for overseas taxation for tax year	3,135,416	2,959,849

(b) Deferred income tax liabilities recognised

Deferred income tax is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2023: 16.5%) for Hong Kong taxation. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred income taxes relate to the same tax authority.

The movement on the deferred income tax liabilities was summarised as follows:

	2024 HK$	2023 HK$
At 1 January	2,751,634	2,856,566
Deferred income tax credited to profit or loss (note 25)	(157,815)	(104,932)
At 31 December	2,593,819	2,751,634

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At 31 December 2024, the Company did not recognise tax losses of approximately HK$118,519,000 (2023: HK$116,415,000) that can be carried forward against future taxable profits and have no expiry date.

The movement in deferred income tax assets and liabilities (prior to offsetting the balances within the same taxation jurisdiction) during the year was summarised as follows:

20. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION - continued

(b) Deferred income tax liabilities recognised - continued

Deferred income tax liabilities

	Accelerated tax depreciation of property, plant and equipment		Investment properties		Total	
	2024	2023	2024	2023	2024	2023
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	437,673	437,673	3,905,261	4,010,193	4,342,934	4,447,866
Deferred income tax credited to profit or loss	-	-	(157,815)	(104,932)	(157,815)	(104,932)
At 31 December	437,673	437,673	3,747,446	3,905,261	4,185,119	4,342,934

Deferred income tax assets

	Accrued expenses		Tax losses		Total	
	2024	2023	2024	2023	2024	2023
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January	(318,956)	(318,956)	(1,272,344)	(1,272,344)	(1,591,300)	(1,591,300)
Deferred income tax credited to profit or loss	-	-	-	-	-	-
At 31 December	(318,956)	(318,956)	(1,272,344)	(1,272,344)	(1,591,300)	(1,591,300)

The following amounts, determined after appropriate offsetting of deferred income tax assets and liabilities are shown in the statement of financial position:

	2024	2023
	HK$	HK$
Deferred income tax liabilities	2,593,819	2,751,634

21. SHARE CAPITAL

	2024		2023	
	No. of Shares	HK$	No. of Shares	HK$
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	55,000,000	235,000,000	55,000,000	235,000,000

22. INVESTMENT INCOME

	2024 HK$	2023 HK$
Dividend income from listed equity securities at FVOCI	1,760,051	2,662,019
Interest income from debt instruments	2,503,506	1,282,847
Rental income on investment properties held	6,011,559	5,837,002
Interest income on bank balances	9,692,278	9,243,503
	19,967,394	19,025,371

23. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2024 HK$	2023 HK$
Depreciation of owned property, plant and equipment	414,553	305,324
Depreciation of right-of-use assets	2,131,757	2,131,758
Amortisation of intangible assets	564,847	399,269
Employees benefits expenses (note 24)	15,240,277	15,015,639
Management fee paid to immediate holding company	1,180,000	1,180,000
Government rate and property tax	88,845	15,689
Auditors' remunerations	2,085,000	3,197,000
Loss on disposal of property, plant and equipment	4,938	1,733

24. EMPLOYEES BENEFITS EXPENSES

	2024 HK$	2023 HK$
Wages and salaries	13,187,585	13,576,958
Pension costs - defined contribution scheme	414,820	454,319
Directors' emoluments	270,000	250,000
Other expenses	1,367,872	734,362
	15,240,277	15,015,639

During 2024, there was no material utilisation of forfeited contribution of the Company's retirement scheme. There was no material unutilised forfeiture in the retirement scheme as at 31 December 2024 and 2023.

24. EMPLOYEES BENEFITS EXPENSES - continued

The breakdown of directors' emoluments is as follows:

	2024 HK$	2023 HK$
Fees	270,000	250,000
Salaries, housing, other allowance and benefits in kind	-	-
Pensions	-	-
	270,000	250,000

In addition to the directors' remuneration disclosed above, certain directors receive remuneration from the Company's immediate holding company, part of which is in respect of their services to the Company and fellow subsidiaries. No apportionment had been made as the directors do not believe that it is practicable to apportion this amount between their services to the Company, immediate holding company and fellow subsidiaries.

25. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Macau in which the Company operates through its Macau branch.

	2024 HK$	2023 HK$
Current tax - Overseas		
Provision for the year	3,135,416	2,959,849
(Over) under provision in prior years	(39,680)	7,382
	3,095,736	2,967,231
Deferred tax		
Deferred tax credited to profit or loss (note 20(b))	(157,815)	(104,932)
	2,937,921	2,862,299

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

	2024 HK$	2023 HK$
Profit before taxation	16,746,165	7,734,590
Calculated at a taxation of 16.5% (2023: 16.5%)	2,763,117	1,276,207
(Over) under provision in prior years	(39,680)	7,382
Different tax rates on overseas earnings	(1,275,570)	(1,196,493)
Income not subject to taxation	(677,030)	(995,370)
Expenses not deductible for taxation purpose	322,691	62,437
Utilisation of previously unrecognised tax losses	(3,041)	-
Tax effect of tax losses not recognised	-	3,941,407
Others	1,847,434	(233,271)
	2,937,921	2,862,299

26. OTHER CASH FLOWS INFORMATION

(a) Cash generated from operations

	2024 HK$	2023 HK$
Profit before taxation	16,746,165	7,734,590
Adjustments for:		
Interest income	(12,195,784)	(10,526,350)
Dividend income	(1,760,051)	(2,662,019)
Fair value losses (gains) on investment properties	1,399,050	(2,194,800)
Depreciation on property, plant and equipment	414,553	305,324
Depreciation on right-of-use assets	2,131,757	2,131,758
Impairment loss on debt investments at amortised cost	168,783	149,981
Amortisation of intangible assets	564,847	399,269
Loss on disposal of property, plant and equipment	4,938	1,733
Finance cost on lease liabilities	76,907	200,255
Change in operating assets and liabilities:		
Increase decrease in other receivables	(16,434,535)	(2,309,032)
Decrease (increase) in amount due from immediate holding company	22,692	(13,392)
Increase in reinsurance contract assets	(2,737,272)	(3,282,602)
Increase in insurance contract assets	(1,986,598)	(1,460,295)
(Decrease) increase in other payables	(1,446,251)	4,059,284
Increase in insurance contract liabilities	22,825,201	42,507,690
Decrease in reinsurance contract liabilities	(3,707,887)	(321,922)
	4,086,515	34,719,472

(b) Reconciliation of liabilities arising from financial activities

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

26. OTHER CASH FLOW INFORMATION - continued

(b) Reconciliation of liabilities arising from financial activities - continued

	Lease liabilities	
	2024	2023
	HK$	HK$
At 1 January	2,526,930	4,598,659
Changes from financing cash flows:		
Capital element of lease rentals paid	(2,219,076)	(2,071,729)
Interest element of lease rentals paid	(76,907)	(200,255)
Total changes from financing cash flows	(2,295,983)	(2,271,984)
Other changes:		
Increase in lease liabilities from entering into new Leases during the year	3,529,182	-
Interest expense	76,907	200,255
Total other changes	3,606,089	200,255
At 31 December	3,837,036	2,526,930

27. LEASE COMMITMENTS

The Company as lessor

As at 31 December 2024, the Company had future aggregate minimum operating leases payments receivable in respect of land and buildings as follows:

	2024	2023
	HK$	HK$
Within one year	6,946,242	6,029,302
In the second year	6,923,623	6,990,515
In the third year	6,912,000	6,938,551
In the fourth year	5,760,000	6,912,000
In the fifth year	-	5,760,000
	26,541,865	32,630,368

28. CAPITAL COMMITMENTS

As at 31 December 2024, the Company had capital commitments as follows:

	2024	2023
	HK$	HK$
Contracted but not provided for		
- intangible assets	-	468,750

29. RELATED-PARTY TRANSACTIONS

The Company is controlled and wholly owned by Min Xin Holdings Limited, the immediate parent incorporated and listed in Hong Kong. Its ultimate holding company is Fujian Investment & Development Group Co., Ltd., a company established in the People's Republic of China.

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under significant influence of related parties of the Company where those parties are individuals.

Apart from those disclosed elsewhere in the financial statements, significant related party transactions or balances which were carried out in the normal course of the Company's business are as follows:

	Notes	2024 HK$	2023 HK$
Gross insurance premium income			
The immediate holding company		303,805	257,658
A fellow subsidiary		6,438	6,500
Associates of the immediate holding company		4,387,355	4,656,353
Commission expenses on insurance intermediate services			
Associates of the immediate holding company	(a)	16,941,621	17,415,988
Claims paid on insurance services provided to			
The immediate holding company		351,731	232,373
Associates of the immediate holding company		1,292,270	1,191,696
Interest income on bank deposit from			
Associates of the immediate holding company		784,777	783,121
Rental income on leases			
A fellow subsidiary		59,559	76,999
Management services			
The immediate holding company	(b)	1,180,000	1,180,000
Professional Services provided			
A fellow subsidiary	(c)	996,764	-

29. RELATED-PARTY TRANSACTIONS - continued

(a) Gross premiums of HK$39,683,672 (2023: HK$40,921,121) are referred through the associates of the immediate holding company to the Company.

(b) The services were contracted at prices and terms not more favourable than those contracted with other third-party customers and service providers of the Company.

(c) The Company entered into a service agreement with Xiamen Mintou Technology Service Co., Ltd. ("Xiamen Mintou"), a subsidiary of Fujian Investment & Development Group Co., Ltd (FIDG), pursuant to which Xiamen Mintou agreed to provide office system and information technology development services at a consideration of RMB 1.53 million (equivalent to approximately HK$1.63 million) in September 2024. Min Xin Insurance paid the service fee of RMB0.93 million (equivalent to approximately HK$ 996,764) to Xiamen Mintou during the year.

Key management personnel

	2024 HK$	2023 HK$
Fees	250,000	250,000
Salaries, housing, other allowance and benefits in kind	6,907,758	6,662,209
Contribution to retirement scheme	214,158	205,860
	7,371,916	7,118,069

Year-end balances arising from sales/purchases of services

	2024 HK$	2023 HK$
Receivables from related parties:		
The immediate holding company	62,327	46,208
Associates of the immediate holding company	7,983,846	14,965,288
Fellow subsidiaries	27,601	44,752
Pledged and restricted deposits and time deposits with original maturity over three months	20,851,599	20,851,599
Cash and cash equivalents	7,366,837	2,932,938
Payable to related parties:		
Associates of the immediate holding company	(27,697)	(10,199)

Apart from the deposits placed with related parties totalling HK$28,218,436 (2023: HK$23,784,537) which carry interest at normal interest rate, all other balances with related parties are unsecured, non-interest bearing and have no fixed repayment term.