bolttech
Insurance

Report of the Directors and Audited Financial Statements

BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED
保特保險(香港)有限公司

(Incorporated in Hong Kong with limited liability)

31 December 2024

bolttech Insurance

BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司 (the "Company") for the year ended 31 December 2024.

Principal activities
The principal activities of the Company are to provide underwriting of general insurance and reinsurance business. There was no change in the nature of the Company's principal activities during the year.

Results and dividends
The Company's profit for the year ended 31 December 2024 and its financial position at that date are set out in the financial statements on pages 5 to 70.

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

Share capital
There were no movements in the Company's share capital during the year.

Equity-linked arrangements
During the year, the Company had not entered into any equity-linked agreements.

Plant and equipment
Details of movements in the Company's plant and equipment during the year are set out in note 10 to the financial statements.

Directors
Given below are the names of all persons who are or were, during the year and up to the date of this report, directors of the Company:

Robert Scott Higgins Schimek
James Andrew Charles Ogilvy-Stuart
Lee Chun Wah
Craig Alan Merdian
Alister John Musgrave
Stephan Tan (resigned with effect from 1 February 2025)

There being no provision in the Company's articles of association for the retirement of directors by rotation, all the remaining directors continue in office for the ensuing year.

Given below are the names of controllers of the Company during the year and up to the date of this report:

Bolttech Discovery Holdings Limited
New Gateway Holdings Limited
New Central Ventures Limited
Bolttech Holdings Limited
Heritage Pioneer Limited
Richard Tzar Kai Li
Alister John Musgrave

REPORT OF THE DIRECTORS (continued)

Directors' interests
Bolttech Holdings Limited ("bolttech Holdings"), an intermediate holding company of the Company, operates a share award plan that provides bolttech Holdings shares to participants upon vesting. Eligible director(s) of the Company, who are also the director(s) of entities within bolttech Holdings, are granted share awards to retain, incentivize, reward, remunerate, compensate and/or provide benefits to eligible participants who contribute to the success of the bolttech Holdings and its subsidiaries' operations. These awards are in the form of a contingent right to receive shares of the bolttech Holdings. These share awards have vesting periods. Vesting of certain awards is conditional upon the employee being in active employment at the time of vesting. Vesting of certain other awards is subject to certain performance conditions in addition to the employee being in active employment at the time of vesting. Award holders do not have any right to dividends or voting rights attaching to the shares prior to vesting. All awards consist of the ordinary shares of bolttech Holdings.

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

Permitted indemnity provision
During the year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors of the Company. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the directors and officers liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

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

Auditor
The financial statements now presented have been audited by Ernst & Young, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Robert Scott Higgins Schimek
Chairman

Hong Kong
22 APR 2025

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report
To the members of Bolttech Insurance (Hong Kong) Company Limited 保特保險(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司 (the "Company") set out on pages 5 to 70 which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

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

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

Responsibilities of the directors for the financial statements

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

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

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Independent auditor's report (continued)
To the members of Bolttech Insurance (Hong Kong) Company Limited 保特保險(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Ernst & Young

Certified Public Accountants
Hong Kong
22 April 2025

BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2024 HK$	Year ended 31 December 2023 HK$
Insurance revenue		636,909,212	683,234,016
Insurance service expenses		(507,835,353)	(520,438,498)
INSURANCE SERVICE RESULT BEFORE REINSURANCE CONTRACTS HELD		129,073,859	162,795,518
Net expenses from reinsurance contracts held		(128,117,166)	(108,619,043)
INSURANCE SERVICE RESULT	4	956,693	54,176,475
Interest income		26,722,751	24,040,619
Foreign exchange difference, net		(3,279,445)	471,246
Others		(1,942,097)	184,260
NET INVESTMENT INCOME	5	21,501,209	24,696,125
Insurance finance expense from insurance contracts issued		(15,162,129)	(15,911,648)
Reinsurance finance income from reinsurance contracts held		6,114,425	6,203,000
NET INSURANCE FINANCE EXPENSES	6	(9,047,704)	(9,708,648)
NET INSURANCE AND INVESTMENT RESULT		13,410,198	69,163,952
Other operating expenses		(16,484,247)	(31,997,239)
(LOSS)/PROFIT BEFORE TAX	7	(3,074,049)	37,166,713
Income tax credit/(expense)	9	4,999,274	(6,283,798)
PROFIT FOR THE YEAR		1,925,225	30,882,915

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	Year ended 31 December 2024 HK$	Year ended 31 December 2023 HK$
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income:			
Change in fair value		(591,980)	20,581,368
Impairment loss of financial assets at fair value through other comprehensive income		(7,811)	(86,842)
Income tax effect	18	116,121	(3,395,926)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(483,670)	17,098,600
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(483,670)	17,098,600
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,441,555	47,981,515

BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2024 HK$	As at 31 December 2023 HK$
ASSETS			
Plant and equipment	10	368,499	528,043
Intangible assets	11	38,252,249	-
Right-of-use assets	12(a)	6,749,088	10,269,241
Reinsurance contract assets	16	85,332,046	71,173,432
Due from related companies	21(b)	4,374,645	2,173,869
Due from a fellow subsidiary	21(c)	-	1,459,520
Prepayments, deposits and other receivables	13	13,333,408	11,942,006
Financial assets at fair value through other comprehensive income	14(a)	769,695,332	767,314,462
Financial assets at fair value through profit or loss	14(b)	1,820,000	1,820,000
Deferred tax assets	18	12,162,734	7,214,650
Tax repayable		2,678,582	-
Cash and cash equivalents	15	94,004,573	158,227,268
TOTAL ASSETS		1,028,771,156	1,032,122,491
LIABILITIES			
Lease liabilities	12(b)	7,078,135	10,602,223
Insurance contract liabilities	17	443,650,675	414,465,578
Other creditors and accrued expenses	19	32,251,701	26,087,040
Due to related companies	21(d)	57,277,787	94,006,882
Due to fellow subsidiaries	21(e)	15,648,966	16,355,714
Due to an intermediate holding company	21(f)	15,518,416	10,746,510
Deferred tax liabilities	18	6,884,393	6,731,631
Tax payable		-	4,107,385
TOTAL LIABILITIES		578,310,073	583,102,963
NET ASSETS		450,461,083	449,019,528
EQUITY			
Share Capital	20(a)	171,726,000	171,726,000
Financial assets at fair value through other comprehensive income reserve		(34,379,885)	(33,896,215)
Retained earnings		313,114,968	311,189,743
TOTAL EQUITY		450,461,083	449,019,528

Alister John Musgrave
Director

Robert Scott Higgins Schimek
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Share capital HK$	Financial assets at fair value through other comprehensive income reserve HK$	Retained earnings HK$	Total Equity HK$
At 1 January 2023	171,726,000	(50,994,815)	280,306,828	401,038,013
Profit for the year	-	-	30,882,915	30,882,915
Other comprehensive income for the year:				
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	17,098,600	-	17,098,600
Total comprehensive income for the year	-	17,098,600	30,882,915	47,981,515
At 31 December 2023	171,726,000	(33,896,215)	311,189,743	449,019,528
Profit for the year	-	-	1,925,225	1,925,225
Other comprehensive income for the year:				
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	(483,670)	-	(483,670)
Total comprehensive (loss)/income for the year	-	(483,670)	1,925,225	1,441,555
At 31 December 2024	171,726,000	(34,379,885)	313,114,968	450,461,083

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2024 HK$	Year ended 31 December 2023 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(3,074,049)	37,166,713
Adjustments for:			
Interest income	5	(26,722,751)	(24,040,619)
Interest expense		345,242	145,979
Amortisation of intangible assets	7	2,013,276	-
Depreciation of plant and equipment	7	159,544	330,090
Depreciation of right-of-use assets	7	3,520,153	3,643,238
Foreign exchange difference, net	5	3,279,445	(471,246)
		(20,479,140)	16,774,155
(Increase)/decrease in reinsurance contract assets		(14,158,614)	63,006,615
Increase in amounts due from related companies		(2,200,776)	(1,278,281)
Decrease in amount due from a fellow subsidiary		1,459,520	76,650
Increase in prepayments, deposits and other receivables		(1,391,402)	(5,008,497)
Increase/(decrease) in insurance contract liabilities		29,185,097	(6,280,146)
Decrease in amounts due to fellow subsidiaries		(706,748)	(9,393,336)
Increase in amount due to an intermediate holding company		4,771,906	3,959,618
(Decrease)/increase in amounts due to related companies		(36,729,095)	30,169,494
Increase/(decrease) in other creditors and accrued expenses		5,470,435	(3,793,699)
Cash (used in)/generated from operations		(34,778,817)	88,232,573
Interest received		26,722,751	23,231,024
Hong Kong profits tax paid		(5,887,789)	(1,799,817)
Net cash flows (used in)/generated from operating activities		(13,943,855)	109,663,780
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets	11	(40,265,525)	-
Purchases of financial assets at fair value through other comprehensive income		(186,401,782)	(179,725,710)
Proceeds from disposals of financial assets at fair value through other comprehensive income		180,257,797	169,082,270
Net cash flows used in investing activities		(46,409,510)	(10,643,440)

STATEMENT OF CASH FLOWS (continued)

	Notes	Year ended 31 December 2024 HK$	Year ended 31 December 2023 HK$
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of leasing liabilities		(3,869,330)	(4,253,588)
Net cash flows used in financing activities		(3,869,330)	(4,253,588)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(64,222,695)	94,766,752
Cash and cash equivalents at beginning of year		158,227,268	63,460,516
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	94,004,573	158,227,268
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	15	94,004,573	158,227,268

1. CORPORATE INFORMATION

BOLTTECH INSURANCE (HONG KONG) COMPANY LIMITED 保特保險(香港)有限公司 (the "Company"), is incorporated in Hong Kong and registered under the Hong Kong Insurance Ordinance ("HKIO") as duly authorised to underwrite certain categories of general insurance business. The registered office of the Company is located at 9/F, 308 Central Des Voeux, No. 308 Des Voeux Road Central, Sheung Wan, Hong Kong. The principal activity of the Company is to underwrite general insurance policies in Hong Kong and it has not changed during the year.

The Company is a wholly owned subsidiary of Bolttech Discovery Holdings Limited ("Bolttech Discovery"), a company incorporated in Hong Kong. The ultimate holding company of the Company is Heritage Pioneer Limited, which is incorporated in Cayman Islands.

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. They are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following relevant new amendments to standards have been adopted by the Company for the financial year ended 31 December 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Noncurrent
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Company has not applied the following relevant new amendments to standards, that have been issued but are not effective for the financial year ended 31 December 2024 in these financial statements:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability (2025)
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments (2026)
HKFRS 1, HKFRS 7, HKFRS 9,HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11 (2026)
HKFRS 18	Presentation and Disclosure in Financial Statements (2027)
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (2027)
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (2027)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

*A date to be determined by the IASB

2.5 MATERIAL ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) Interest income

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium. Investment income also includes dividends, which are included on the date the share becomes quoted ex dividend.

(b) Realised gains and losses recorded in profit or loss

Realised gains and losses on the sale of equipment, of financial assets at fair value through other comprehensive income and of financial assets at fair value through profit or loss are calculated as the difference between net sales proceeds and the original or amortised cost. Realised gains and losses are recognised in profit or loss when the sale transaction occurs.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (loans and receivables)

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at fair value through other comprehensive income (debt instruments)

The Company measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

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

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

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

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

For debt investments at fair value through other comprehensive income, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the external credit ratings of the debt investments. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Company chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%
Office equipment	20% - 50%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets

Intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

a. it is technically feasible to complete the software so that it will be available for use;
b. management intends to complete the software and use or sell it;
c. there is an ability to use or sell the software;
d. it can be demonstrated how the software will generate probable future economic benefits;
e. adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
f. the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. Useful lives of computer software licenses are determined based on various factors, including but not limited to the expected usage of the software, typical life cycles, types of obsolescence and period of license (if applicable). The amortisation charge for the period is included in the consolidated income statement under “General expenses”.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Foreign currency transactions are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

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

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

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits which are not restricted as to use.

Dividends to equity holders

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and it is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity. Interim dividends are deducted from equity when they are declared and paid. Interim dividends declared are disclosed in the notes to the financial statements.

Provisions

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

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

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held

Definition of insurance contracts
Insurance contracts are contracts under which 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.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Level of aggregation
The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

a. contracts that are onerous at initial recognition;
b. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
c. a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Recognition
Groups of insurance contracts issued are initially recognised from the earliest of the following:

g. the beginning of the coverage period;
h. the date when the first payment from the policyholder is due or actually received, if there is no due date; and
i. when the Company determines that a group of contracts becomes onerous.

Contract boundary
The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
    i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

Contract boundary (continued)
In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Modification and derecognition
An insurance contract is derecognised when it is:

a. extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
b. the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
   i. is not within the scope of HKFRS 17;
   ii. results in different separable components;
   iii. results in a different contract boundary; or
   iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the premium allocation approach ("PAA"), but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of HKFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including component separation requirements and contract aggregation requirements.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

Initial and subsequent measurement
The Company uses the PAA for measuring contracts as the respective groups of contracts meet the PAA eligibility criteria because the measurement of the liability for remaining coverage for the groups of insurance and reinsurance that would not differ materially from the one that would be produced applying the General Measurement Model ("GMM"). The Company also uses PAA for measuring contract with coverage period of one year or less.

The reinsurance contracts held provide coverage on the insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

For insurance contracts issued, on initial recognition, the Company measures the Liability for Remaining Coverage ("LRC") at the amount of premiums received and less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid net of ceding commissions paid to a party other than the reinsurer.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

Insurance finance income or expenses ("IFIE") comprises the change in the carrying amount of the group of insurance contracts arising from:
a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within IFIE are:
a. interest accreted on the LIC; and
b. the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate IFIE between profit or loss and OCI and disaggregates amounts recognised in the statement of profit or loss into:
a. an insurance service result, comprising insurance revenue and insurance service expenses;
b. insurance finance income or expenses.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

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

a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the Fulfilment Cash Flows ("FCF") related to past service allocated to the Company at the reporting date.

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

a. the assets for remaining coverage; and
b. the amounts recoverable on incurred claims, comprising the FCF related to past service allocated to the Company at the reporting date.

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

a. increased for premiums received in the period;
b. decreased for insurance acquisition cash flows paid in the period;
c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

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

a. increased for ceding premiums paid in the period;
b. decreased for ceding commissions paid in the period; and
c. decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

Unless when measuring a loss component, the Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because financing component is not considered to be significant.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money, since the insurance contracts issued by the Company and measured under the PAA typically have a settlement period of over one year.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are presented in the net income from reinsurance contracts held.

When measuring LIC, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

The Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

Insurance revenue
As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For groups of insurance contracts measured under the PAA, the Company generally recognises insurance revenue based on the passage of time over the coverage period of a group of contracts and the adjustment for changes in credit risk for the recoverability of insurance premium receivables.

Other expenses not meeting the above categories are included in other operating expenses in the Statement of Comprehensive Income.

Insurance service expenses
Insurance service expenses include the following:

a. incurred claims and benefits, excluding investment components, reduced by loss component allocations;
b. other incurred directly attributable expenses;
c. insurance acquisition cash flows amortisation;
d. changes that relate to past service – changes in the FCF relating to the LIC; and
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

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

Net income/(expenses) from reinsurance contracts held
The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses, excluding investment component;
b. incurred claims recovery, excluding investment components;
c. other incurred directly attributable expenses;
d. changes that relate to past service – changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses;
e. effect of changes in the risk of reinsurers' non-performance; and
f. income on initial recognition and reversal of loss recovery component of onerous underlying contracts.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contracts and reinsurance contracts held (continued)

Investment component
The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

Reinsurance contracts have explicit ceding commission, no claims bonus and known claims. The investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms less any accrued fees and surrender charges. The amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately.

The Company's other contracts do not contain investment components.

Risk adjustments for non-financial risk
The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

The Value-at-Risk approach is used to determine the risk adjustment for non-financial risk, where the standard errors estimated by the Bootstrap method will be used to calculate the stand-alone risk adjustment for each portfolio.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2023: 75%). The changes in the risk adjustment for non-financial risk because of the release from risk and it is line with the Company's internal reserving policy.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2023.

Other employee benefits

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

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pensions and other post-employment benefits

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

Long service payments

Certain employees of the Company are eligible for long service payments according to the Hong Kong Employment Ordinance in the event of the termination of their employments. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

Share-based compensation

The Company has participated in an equity-settled share-based compensation plan ("Equity Award Plan") operated by its intermediate holding company, under which certain directors and employees of the Company are awarded restricted shares units ("RSUs") of the intermediate holding company or the purpose of providing incentives and rewards to eligible participants who contribute to the success of the intermediate holding company and its subsidiaries' operations. Employees (including directors) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the market value of the intermediate holding company on the date of grant, further details of which are given in note 22 to the financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSUs awarded on respective grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of RSUs that are expected to be vested. At the end of each reporting period, the Company revises its estimates of the number of RSUs that are expected to be vested. Any impact of the revisions to original estimates, if any, is recognize in profit or loss, with a corresponding adjustment to liability over the remaining vesting period. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognized as a separate award, and therefore the fair value of each tranche is recognized over the applicable vesting period.

Where modification or cancellation of an Equity Award Plan occurs, the grant date fair value continues to be recognized, together with any incremental value arising on the date of modification if non-market conditions are met.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Leases

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

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold improvements	over the lease term

If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for termination of a lease, if the lease term reflects the Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty and critical judgements in applying the Company's accounting policies which have a significant effect on the financial statements and set below.

Judgements

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

Income taxes
Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Determining the lease term of contracts with renewal options
The Company has a lease contract that include extension and termination options. The Company applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Eligibility considerations of the PAA
The Company applies the PAA to simplify the measurement of contracts. In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the GMM.

The Company exercises significant judgement to determine whether there the LRC measured under GMM is materially different with the LRC measured under PAA. In the event for a group of insurance contracts, the LRC results between the measurement model differs larger than the thresholds determined by the Company, the PAA will not be eligible and the Company shall apply the GMM to recognise and measure that group of insurance contracts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

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

(a) *Insurance contract liabilities*
Similar judgements are made in assessing the adequacy of the unearned premium provision, whereby assessments are made of the expected future claims cost arising from the unexpired portion of contracts in force at the end of the reporting period.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in notes 2.5, 17 and 25.

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

(c) *Fair values of financial assets at fair value through other comprehensive income ("FA at FVOCI")/financial assets at fair value through profit or loss ("FA at FVPL")*
The Company determines the fair values of FA at FVOCI/FA at FVPL traded in active markets using quoted bid prices as of each reporting date. The fair values of FA at FVOCI/FA at FVPL that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions, values obtained from current bid prices of comparable investments and expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. More judgment is used in measuring the fair value of FA at FVOCI/FA at FVPL for which market observable prices are not available or are available only infrequently.

Further details of the fair values of FA at FVOCI/FA at FVPL and the sensitivity analysis to interest rates are provided in notes 2.5, 14 and 24.

(d) *Impairment of financial assets*
The impairment provisions for financial assets, other than those at fair value through profit or loss, are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting theinputs to the impairment calculation, based on the number of days that an individual receivable isoutstanding as well as the Company's historical experience and forward-looking information at the end ofeach reporting period. Changes in these assumptions and estimates could materially affect the results ofthe assessment and it may be necessary to make an additional impairment charge to profit or loss.

For loans and receivables, impairment loss is determined using an analytical method based on knowledge of each loan group or receivable. The method is usually based on historical statistics, adjusted for trends in the Company of financial assets or individual accounts.

Further details of the impairment of financial assets during the year are provided in note 2.5.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(e) *Deferred tax assets assessment*
The recognition of deferred tax assets is sensitive to estimates of future cash flows projected for periods for which detailed forecasts are available and to assumptions regarding the pattern of cash flows thereafter, on which forecasts of future taxable profit are based, and which affect the expected recovery periods and the pattern of utilization of tax losses and tax credits.

In applying judgement in recognising deferred tax assets, management has assessed all relevant information, including future business profit projections. Management's assessment of the likely availability of future taxable profits against which to recover deferred tax assets is based on the most recent financial forecasts approved by management, which cover a five-year period and are extrapolated where necessary, and takes into consideration the reversal of existing taxable temporary differences and past business performance.

(f) *Leases – Estimating the incremental borrowing rate*
The Company cannot readily determine the interest rate implicit in a lease. It uses its intermediate holding company, Bolttech Discovery's incremental borrowing rate ("IBR") as a proxy to measure lease liabilities. The IBR is the rate of interest that Bolttech Discovery would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what Bolttech Discovery and the Company "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR proxy using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Critical accounting estimates

It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims is using the past claim settlement trends to predict the future claim settlement trends. At each reporting date, prior year estimates of claims are reassessed for adequacy and any changes from the previous assessment are made to the provision. The Group also applies discounting to the insurance claims provisions and the determination of discount rates involves significant judgement as described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Critical accounting estimates (continued)

Discount rates
The bottom-up approach was applied in the determination of the discounts rates for different products.

The Company adopts the Hong Kong Risk-Based Capital ("HKRBC") rates as the source of liquid risk-free yield curve. The yield curve will be constructed through interpolation between market observable maturities which will be performed using the Smith-Wilson method.

The yield curve represents nominal risk-free rates that include future inflation. Hence, the yield curve shall be applied in discounting nominal cash flows (i.e. include the effect of inflation).

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

		2024					
	Currency	1 year	2 years	3 years	5 years	10 years	15 years
For the groups of insurance contracts	HKD	3.88%	3.75%	3.67%	3.60%	3.65%	3.72%

		2023					
	Currency	1 year	2 years	3 years	5 years	10 years	15 years
For the groups of insurance contracts	HKD	4.28%	3.73%	3.46%	3.27%	3.29%	3.41%

4. INSURANCE SERVICE RESULT

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts for 2024 and 2023 is included in the following tables. Additional information on amounts recognised in profit or loss is included in the insurance contract balances reconciliations in note 16 and 17.

	2024 HK$	2023 HK$
Insurance revenue		
Insurance revenue from contracts measured under the PAA	636,909,212	683,234,016
Insurance service expenses		
Incurred claims and other directly attributable expenses	(376,177,304)	(439,389,105)
Changes that relate to past service – changes in the FCF relating to the LIC	64,857,223	122,670,204
(Losses)/gain on onerous contracts and reversal of those losses	(5,538,881)	5,105,490
Amortisation of insurance acquisition cash flows	(190,976,391)	(208,825,087)
Total insurance service expenses	(507,835,353)	(520,438,498)
Net income/(expenses) from reinsurance contracts held		
Reinsurance expenses – contracts measured under the PAA	(276,014,886)	(307,281,487)
Incurred claims recovery	200,020,874	257,104,545
Changes that relate to past service – changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	(52,719,563)	(50,576,815)
Income/(loss) on initial recognition of onerous underlying contracts	596,409	(7,865,286)
Total net expenses from reinsurance contracts held	(128,117,166)	(108,619,043)
Total insurance service result	956,693	54,176,475

5. NET INVESTMENT INCOME

	Notes	2024 HK$	2023 HK$
Interest income from fixed deposits		40	118
Interest income from financial assets at fair value through other comprehensive income			
- Certificates of deposit		1,640,026	1,825,835
- Debt securities		25,082,685	22,214,666
Total interest income		26,722,751	24,040,619
Foreign exchange difference, net	7	(3,279,445)	471,246
Others		(1,942,097)	184,260
		21,501,209	24,696,125

6. NET INSURANCE FINANCE EXPENSES

	2024 HK$	2023 HK$
Finance expenses from insurance contracts issued		
Interest accreted	(14,520,357)	(14,780,192)
Effect of changes in interest rates and other financial assumptions	(641,772)	(1,131,456)
Finance expenses from insurance contracts issued	(15,162,129)	(15,911,648)
Finance income from reinsurance contracts held		
Interest accreted	5,724,672	5,986,072
Effect of changes in interest rates and other financial assumptions	389,753	216,928
Finance income from reinsurance contracts held	6,114,425	6,203,000
Net insurance finance expenses	(9,047,704)	(9,708,648)
Summary of the amounts recognised in profit or loss		
Net insurance finance expenses	(9,047,704)	(9,708,648)
Summary of the amounts recognised		
Insurance service result	(9,047,704)	(9,708,648)
Net insurance finance expenses	(9,047,704)	(9,708,648)

7. (LOSS)/PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Notes	2024 HK$	2023 HK$
Employee benefits expense (including directors' remuneration (note 8)):			
Salaries and allowances		70,688,078	54,673,995
Pension contributions – MPF scheme		2,482,583	2,642,588
		73,170,661	57,316,583
Auditor's remuneration		2,250,000	2,230,000
Amortisation of intangible assets	11	2,013,276	-
Depreciation of plant and equipment	10	159,544	330,090
Depreciation of right-of-use assets	12(a)	3,520,153	3,643,238
Foreign exchange differences, net	5	3,279,445	(471,246)

Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred by the Company in the reporting period that relate directly to the fulfilment of contracts issued and reinsurance contracts held. These expenses are recognised in the statement of profit or loss.

The rental expense represents amounts allocated to the Company by a fellow subsidiary which entered the lease as a party to the lease agreement.

8. DIRECTORS' REMUNERATION

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

	2024 HK$	2023 HK$
Fees	705,424	705,424
Other emoluments	-	-
Aggregate amount of the emoluments of the three highest paid directors	705,424	705,424

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Note	2024 HK$	2023 HK$
Provision for the year		-	4,859,331
Deferred tax (credited)/charged	18	(4,679,201)	1,230,996
(Over)/under provision of prior period		(320,073)	193,471
Total tax (credited)/charged for the year		(4,999,274)	6,283,798

A reconciliation of the Company's tax expense applicable to (loss)/profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2024 HK$	2023 HK$
(Loss)/profit before tax	(3,074,049)	37,166,713
Tax at the statutory tax rate	(507,218)	6,132,508
Income not subject to tax	(503,383)	(42,181)
(Over)/under provision of prior period	(320,073)	193,471
Other	(3,668,600)	-
Total tax (credited)/charged for the year	(4,999,274)	6,283,798

10. PLANT AND EQUIPMENT

	Notes	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 December 2024				
At 31 December 2023 and 1 January 2024:				
Cost		209,549	8,251,857	8,461,406
Accumulated depreciation		(209,549)	(7,723,814)	(7,933,363)
Net carrying amount		-	528,043	528,043
At 1 January 2024, net of accumulated depreciation		-	528,043	528,043
Depreciation provided during the year	7	-	(159,544)	(159,544)
At 31 December 2024, net of accumulated depreciation		-	368,499	368,499
At 31 December 2024:				
Cost		209,549	8,251,857	8,461,406
Accumulated depreciation		(209,549)	(7,883,358)	(8,092,907)
Net carrying amount		-	368,499	368,499
31 December 2023				
At 1 January 2023:				
Cost		209,549	8,251,857	8,461,406
Accumulated depreciation		(209,549)	(7,393,724)	(7,603,273)
Net carrying amount		-	858,133	858,133
At 1 January 2023, net of accumulated depreciation		-	858,133	858,133
Depreciation provided during the year	7	-	(330,090)	(330,090)
At 31 December 2023, net of accumulated depreciation		-	528,043	528,043
At 31 December 2023:				
Cost		209,549	8,251,857	8,461,406
Accumulated depreciation		(209,549)	(7,723,814)	(7,933,363)
Net carrying amount		-	528,043	528,043

11. INTANGIBLE ASSETS

	Notes	Computer software HK$
31 December 2024		
At 31 December 2023 and 1 January 2024:		
Cost		-
Accumulated depreciation		-
Net carrying amount		-
At 1 January 2024, net of accumulated depreciation		-
Additions		40,265,525
Depreciation provided during the year	7	(2,013,276)
At 31 December 2024, net of accumulated depreciation		38,252,249
At 31 December 2024:		
Cost		40,265,525
Accumulated depreciation		(2,013,276)
Net carrying amount		38,252,249
31 December 2023		
At 1 January 2023:		
Cost		-
Accumulated depreciation		-
Net carrying amount		-
At 1 January 2023, net of accumulated depreciation		-
Depreciation provided during the year	7	-
At 31 December 2023, net of accumulated depreciation		-
At 31 December 2023:		
Cost		-
Accumulated depreciation		-
Net carrying amount		-

12. LEASES

The Company has a lease contract for its office premise which is further discussed below.

(a) Right-of-use assets

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

	2024 HK$	2023 HK$
As at 1 January	10,269,241	3,344,040
Additions	-	10,568,439
Depreciation charge	(3,520,153)	(3,643,238)
As at 31 December	6,749,088	10,269,241

The Company obtains right to use an office premise for a lease term of three years with an option to extend to six years through lease arrangements.

(b) Lease liabilities

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

	2024 HK$	2023 HK$
As at 1 January	10,602,223	4,141,393
New leases	-	10,568,439
Accretion of interest recognised during the year	345,242	145,979
Payments	(3,869,330)	(4,253,588)
As at 31 December	7,078,135	10,602,223
Analysed into:		
Current portion	3,416,462	3,524,088
Non-current portion	3,661,673	7,078,135

The weighted average incremental borrowing rate applied to lease liabilities of the Company is 3.84% (2023: 3.84%).

12. LEASES (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 HK$	2023 HK$
Interest expenses on lease liabilities	345,242	145,979
Depreciation charge of right-of-use assets	3,520,153	3,643,238
	3,865,395	3,789,217

Lease expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred by the Company in the reporting period that relate directly to the fulfilment of contracts issued and reinsurance contracts held. These expenses are recognised in the statement of profit or loss.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$	2023 HK$
Deposits	2,450,580	2,200,581
Prepayments	212,714	196,695
Interest receivables	7,995,567	9,528,687
Other receivables	2,674,547	16,043
	13,333,408	11,942,006
Portion classified as current assets	(10,882,828)	(9,741,425)
Non-current portion	2,450,580	2,200,581

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Deposits mainly include a statutory deposit of HK$600,000 (2023: HK$600,000) made to the Employees' Compensation Insurance Residual Scheme Bureau Limited. The statutory deposit is interest bearing at current bank deposit rates and repayable upon cessation of writing employee compensation insurance business.

14. INVESTMENTS

(a) Financial assets at fair value through other comprehensive income

	Notes	2024 HK$	2023 HK$
Non-current			
Listed debt securities, at fair value			
- Hong Kong		163,890,624	210,345,850
- Elsewhere		366,525,715	368,256,992
		530,416,339	578,602,842
Unlisted debt securities, at fair value			
- Hong Kong		37,485,324	5,052,789
- Elsewhere		15,920,295	2,877,861
		53,405,619	7,930,650
	24	583,821,958	586,533,492
Certificates of deposit, at fair value	24	1,004,777	1,009,895
		584,826,735	587,543,387
Current			
Listed debt securities, at fair value			
- Hong Kong		40,495,982	98,752,573
- Elsewhere		74,842,671	37,424,103
		115,338,653	136,176,676
Unlisted debt securities, at fair value			
- Hong Kong		18,977,202	28,334,746
- Elsewhere		13,006,973	-
		31,984,175	28,334,746
	24	147,322,828	164,511,422
Certificates of deposit, at fair value	24	37,545,769	15,259,653
		184,868,597	179,771,075
		769,695,332	767,314,462

The gross losses in respect of the Company's financial assets at fair value through other comprehensive income amounted to HK$591,980 (2023: gains of HK$20,581,368).

Impairment losses of HK$7,811 has been provided for financial assets at fair value through other comprehensive income (2023:HK$86,842).

14. INVESTMENTS (continued)

(b) Financial assets at fair value through profit or loss

	Note	2024 HK$	2023 HK$
Non-current			
Club membership debentures at fair value	25	1,820,000	1,820,000

At the end of the reporting period, the fair value of the club membership debentures held by the Company was approximately of HK$1,820,000 (2023: HK$1,820,000).

As at 31 December 2024, the fair value measurement amounting to HK$1,520,000 (2023: HK$1,520,000) and HK300,000 (2023: HK$300,000) of the financial assets at fair value through profit or loss (i.e. club debentures) as mentioned above was categorised within level 1 and level 3 of the fair value hierarchy respectively.

15. CASH AND CASH EQUIVALENTS

	2024 HK$	2023 HK$
Current accounts	94,004,573	158,227,268

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy counterparties. Credit risk exposure of the balance according to the counterparties' credit rating is presented in note 25 to the financial statements.

16. REINSURANCE CONTRACT ASSETS

Reconciliation of the remaining coverage and incurred claims components - Reinsurance contract held

	2024					2023				
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component HK$	Loss component HK$	Present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$	Excluding loss component HK$	Loss component HK$	Present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening reinsurance contract assets	-	819	133,613,851	11,201,375	144,816,045	-	7,866,105	138,566,476	9,478,494	155,911,075
Opening reinsurance contract liabilities	(73,642,613)	-	-	-	(73,642,613)	(21,731,028)	-	-	-	(21,731,028)
Net opening balance	**(73,642,613)**	**819**	**133,613,851**	**11,201,375**	**71,173,432**	**(21,731,028)**	**7,866,105**	**138,566,476**	**9,478,494**	**134,180,047**
Reinsurance expenses	**(276,014,886)**	-	-	-	**(276,014,886)**	**(307,281,487)**	-	-	-	**(307,281,487)**
Amounts recoverable from reinsurers										
Incurred claims recovery	-	-	198,115,020	1,905,854	200,020,874	-	-	248,050,283	9,054,262	257,104,545
Changes that relate to past service – changes in the FCF relating to incurred claims recovery and incurred directly attributable expenses	-	-	(46,593,551)	(6,126,012)	(52,719,563)	-	-	(43,245,434)	(7,331,381)	(50,576,815)
Income on initial recognition of onerous underlying contracts	-	596,409	-	-	596,409	-	(7,865,286)	-	-	(7,865,286)
Net income/(expenses) from reinsurance contracts	**(276,014,886)**	**596,409**	**151,521,469**	**(4,220,158)**	**(128,117,166)**	**(307,281,487)**	**(7,865,286)**	**204,804,849**	**1,722,881**	**(108,619,043)**
Finance income from reinsurance contracts held	-	-	6,114,425	-	6,114,425	-	-	6,203,000	-	6,203,000
Total amounts recognised in comprehensive income	**(276,014,886)**	**596,409**	**157,635,894**	**(4,220,158)**	**(122,002,741)**	**(307,281,487)**	**(7,865,286)**	**211,007,849**	**1,722,881**	**(102,416,043)**
Cash flows										
Premiums paid net of ceding commissions	315,797,895	-	-	-	315,797,895	255,369,902	-	-	-	255,369,902
Other directly attributable expenses paid	-	-	-	-	-	-	-	-	-	-
Recoveries from reinsurance	-	-	(179,636,540)	-	(179,636,540)	-	-	(215,960,474)	-	(215,960,474)
Total cash flows	**315,797,895**	**-**	**(179,636,540)**	**-**	**136,161,355**	**255,369,902**	**-**	**(215,960,474)**	**-**	**39,409,428**
Closing reinsurance contract assets	-	597,228	111,613,205	6,981,217	119,191,650	-	819	133,613,851	11,201,375	144,816,045
Closing reinsurance contract liabilities	(33,859,604)	-	-	-	(33,859,604)	(73,642,613)	-	-	-	(73,642,613)
Net closing balance	**(33,859,604)**	**597,228**	**111,613,205**	**6,981,217**	**85,332,046**	**(73,642,613)**	**819**	**133,613,851**	**11,201,375**	**71,173,432**

17. INSURANCE CONTRACT LIABILITIES

Reconciliation of the liability for remaining coverage and the liability for incurred claims - Insurance contracts issued

	2024					2023				
	LRC		LIC			LRC		LIC		
	Excluding loss component HK$	Loss component HK$	Present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$	Excluding loss component HK$	Loss component HK$	Present value of future cash flows HK$	Risk adjustment for non-financial risk HK$	Total HK$
Opening insurance contract liabilities	38,862,557	4,960,377	338,905,148	31,737,496	414,465,578	23,443,717	10,065,867	342,134,072	45,102,068	420,745,724
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net opening balance	**38,862,557**	**4,960,377**	**338,905,148**	**31,737,496**	**414,465,578**	**23,443,717**	**10,065,867**	**342,134,072**	**45,102,068**	**420,745,724**
Insurance revenue	**(636,909,212)**	-	-	-	**(636,909,212)**	**(683,234,016)**	-	-	-	**(683,234,016)**
Insurance service expenses										
Incurred claims and other directly attributable expenses	-	-	371,364,521	4,812,783	376,177,304	-	-	420,880,125	18,508,980	439,389,105
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(59,799,693)	(5,057,530)	(64,857,223)	-	-	(90,796,652)	(31,873,552)	(122,670,204)
Gain/(losses) on onerous contracts and reversal of those losses	-	5,538,881	-	-	5,538,881	-	(5,105,490)	-	-	(5,105,490)
Amortisation of insurance acquisition cash flows	190,976,391	-	-	-	190,976,391	208,825,087	-	-	-	208,825,087
Insurance service expenses	**190,976,391**	**5,538,881**	**311,564,828**	**(244,747)**	**507,835,353**	**208,825,087**	**(5,105,490)**	**330,083,473**	**(13,364,572)**	**520,438,498**
Insurance service result	**(445,932,821)**	**5,538,881**	**311,564,828**	**(244,747)**	**(129,073,859)**	**(474,408,929)**	**(5,105,490)**	**330,083,473**	**(13,364,572)**	**(162,795,518)**
Finance expenses from insurance contracts issued	-	-	15,162,129	-	15,162,129	-	-	15,911,648	-	15,911,648
Total amounts recognised in comprehensive income	**(445,932,821)**	**5,538,881**	**326,726,957**	**(244,747)**	**(113,911,730)**	**(474,408,929)**	**(5,105,490)**	**345,995,121**	**(13,364,572)**	**(146,883,870)**
Cash flows										
Premiums received	615,525,840	-		-	615,525,840	697,273,541	-	-	-	697,273,541
Claims and other directly attributable expenses paid	-	-	(284,981,936)	-	(284,981,936)	-	-	(349,224,045)	-	(349,224,045)
Insurance acquisition cash flows paid	(187,447,077)	-	-	-	(187,447,077)	(207,445,772)	-	-	-	(207,445,772)
Total cash flows	**428,078,763**	**-**	**(284,981,936)**	**-**	**143,096,827**	**489,827,769**	**-**	**(349,224,045)**	**-**	**140,603,724**
Closing insurance contract liabilities	21,008,499	10,499,258	380,650,169	31,492,749	443,650,675	38,862,557	4,960,377	338,905,148	31,737,496	414,465,578
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net closing balance	**21,008,499**	**10,499,258**	**380,650,169**	**31,492,749**	**443,650,675**	**38,862,557**	**4,960,377**	**338,905,148**	**31,737,496**	**414,465,578**

18. DEFERRED TAX ASSETS/(LIABILITIES)

The movement in net deferred tax assets during the year is analysed as set out below:

	Notes	Revaluation of financial assets at fair value through other comprehensive income HK$	Accelerated tax depreciation and amortisation HK$	Intangible assets HK$	Unused tax losses HK$	Insurance contract and reinsurance contract HK$	Total HK$
At 1 January 2024		6,677,509	537,141	-	-	(6,731,631)	483,019
Deferred tax credited/(charged) to profit or loss	9	-	(594,633)	(4,947,831)	5,369,104	4,852,561	4,679,201
Deferred tax credited to the financial assets at fair value through other comprehensive income reserve during the year		116,121	-	-	-	-	116,121
At 31 December 2024		6,793,630	(57,492)	(4,947,831)	5,369,104	(1,879,070)	5,278,341
		HK$	HK$			HK$	HK$
At 1 January 2023		10,073,435	94,546	-	-	(5,058,040)	5,109,941
Deferred tax credited/(charged) to profit or loss	9	-	442,595	-	-	(1,673,591)	(1,230,996)
Deferred tax charged to the financial assets at fair value through other comprehensive income reserve during the year		(3,395,926)	-	-	-	-	(3,395,926)
At 31 December 2023		6,677,509	537,141	-	-	(6,731,631)	483,019

19. OTHER CREDITORS AND ACCRUED EXPENSES

Other creditors and accrued expenses are non-interest-bearing and repayable within a year.

20. SHARE CAPITAL AND DIVIDENDS

(a) Share capital

	2024	2023
	HK$	HK$
Issued and fully paid:		
1,717,260 (2023: 1,717,260) ordinary shares	171,726,000	171,726,000

(b) Dividends

The directors do not recommend the payment of any dividend in respect of the year (2023: Nil).

21. RELATED PARTY TRANSACTIONS

A portion of the Company's business is represented by transactions with certain related companies and these financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following significant related party transactions during the year:

(i) The Company ceded HK$15,074,689 (2023: HK$28,019,038) premium to and earned commission income of HK$5,111,094 (2023: HK$4,804,615) from a fellow subsidiary. The Company recovered claims of HK$7,751,576 (2023: HK$10,870,285) from the fellow subsidiary.

(ii) Commission of HK$16,872,572 (2023: HK$7,467,420) was paid to a related company based on terms mutually agreed by both parties.

(iii) Brokerage expense of HK$338,506 (2023: HK$439,585) was paid to a related company based on a variable percentage of gross premiums received from customers who were referred from the fellow subsidiary.

(iv) The Company paid HK$6,868,749 (2023: HK$15,600,335) to a related company for administration, consultancy and management services received and did not recharge (2023: HK$18,879,120) to a related company for expenses paid on behalf of the Company based on terms mutually agreed by both parties.

(v) The Company sold general insurance policies to related companies on terms mutually agreed by the parties. Total insurance income from related companies for the year amounted to HK$712,826 (2023: HK$1,220,043).

(vi) The Company paid HK$6,267,857 (2023: HK$6,571,913) to related companies for administration, consultancy and management services received based on terms mutually agreed by both parties.

21. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(vii) The Company also paid an investment management fee of HK$1,278,045 (2023: HK$1,109,663) to a related company based on terms mutually agreed by parties.

(viii) The Company paid commission of HK$2,593,549 (2023: HK$125,203) to a related company based on terms mutually agreed by both parties for general insurance policies.

(ix) The Company bought group medical insurance policies from related companies on terms mutually agreed by the parties. Total insurance expense to related companies for the year amounted to HK$2,406,027 (2023: HK$2,317,503).

(x) The Company ceded HK$145,628 (2023: HK$3,757,874) premium to a related company. The Company recovered claims of HK$762,424 (2023: HK$335,617) from the related company.

(xi) The Company was recharged by its intermediate holding company for the costs of restricted shares units ("RSUs") granted to employees of the Company of HK$7,234,874 (2023: HK$2,442,795).

(b) As disclosed in the statement of financial position, the Company had outstanding balances due from its related companies of HK$4,374,645 (2023: HK$2,173,869), as at the end of the reporting period. These balances are unsecured, interest-free, and repayable on demand.

(c) As disclosed in the statement of financial position, the Company did not have outstanding balances due from its fellow subsidiary (2023: HK$1,459,520), as at the end of the reporting period. These balances are unsecured, interest-free, and repayable on demand.

(d) As disclosed in the statement of financial position, the Company had outstanding balances due to its related companies of HK$57,277,787 (2023: HK$94,006,882), as at the end of the reporting period. The balances are unsecured, interest-free, and repayable on demand.

(e) As disclosed in the statement of financial position, the Company had outstanding balances due to its fellow subsidiaries of HK$15,648,966 (2023: HK$16,355,174), as at the end of the reporting period. These balances are unsecured, interest-free, and repayable on demand.

(f) As disclosed in the statement of financial position, the Company had outstanding balances due to its intermediate holding company of HK$15,518,416 (2023: HK$10,746,510), as at the end of the reporting period. These balances are unsecured, interest-free, and repayable on demand.

(g) The compensation of key management personnel of the Company represents directors' emoluments, further details are disclosed in note 8 to the financial statements.

22. SHARE-BASED COMPENSATION

On 24 March 2021 (the "Adoption Date"), the intermediate holding company adopted an Equity Award Plan for the purpose to retain, incentivize, reward, remunerate, compensate and/or provide benefits to eligible participants who contribute to the success of the intermediate holding company and its subsidiaries' operations.

Eligible participants of the Equity Award Plan include the Company's directors, employees and consultants employed or engaged by the Company. The Equity Award Plans will remain in force from the Adoption Date, unless otherwise terminated by the board of directors.

Pursuant to the Equity Award Plan, certain directors and employees of the Company were granted RSUs of Bolttech Holdings Limited, an intermediate holding company of the Company. These RSUs are in the form of a contingent right to receive ordinary shares of the intermediate holding company. These awards have vesting periods of up to 3 years and are at nil cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to allotment and issuance of the shares.

A summary of the movements in the number of RSUs awarded to certain directors and employees is as follows:

	2024	2023
As at 1 January	5,756	3,310
Awarded	4,831	4,064
Vested	(1,898)	(1,421)
Cancelled/forfeited	(226)	(197)
As at 31 December	8,463	5,756

The fair value of RSUs granted during the year was estimated as at the date of grant by referencing to the market value of the intermediate holding company at the date of grant, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Company, other than insurance contract liabilities and associated reinsurance contract assets, as at the end of the reporting period are as follows:

31 December 2024

Financial assets

	Financial assets at fair value through other comprehensive income HK$	Financial assets fair value through profit or loss HK$	Financial assets at amortised cost HK$	Total HK$
Deposits and other receivables	-	-	13,120,694	13,120,694
Financial assets at fair value through other comprehensive income	769,695,332	-	-	769,695,332
Financial assets at fair value through profit or loss	-	1,820,000	-	1,820,000
Due from related companies	-	-	4,374,645	4,374,645
Cash and cash equivalents	-	-	94,004,573	94,004,573
	769,695,332	1,820,000	111,499,912	883,015,244

Financial liabilities

Lease liabilities	7,078,135
Due to related companies	57,277,787
Due to fellow subsidiaries	15,648,966
Due to an intermediate holding company	15,518,416
Other creditors and accrued expenses	32,251,701
	127,775,005

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income HK$	Financial assets fair value through profit or loss HK$	Financial assets at amortised cost HK$	Total HK$
Deposits and other receivables	-	-	11,745,311	11,745,311
Financial assets at fair value through other comprehensive income	767,314,462	-	-	767,314,462
Financial assets at fair value through profit or loss	-	1,820,000	-	1,820,000
Due from related companies	-	-	2,173,869	2,173,869
Due from a fellow subsidiary	-	-	1,459,520	1,459,520
Cash and cash equivalents	-	-	158,227,268	158,227,268
	767,314,462	1,820,000	173,605,968	942,740,430

Financial liabilities

	Financial liabilities at amortised cost HK$
Lease liabilities	10,602,223
Due to related companies	94,006,882
Due to fellow subsidiaries	16,355,714
Due to an intermediate holding company	10,746,510
Other creditors and accrued expenses	26,087,040
	157,798,369

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of deposits and other receivables, insurance receivables, cash and cash equivalents, amount due from a fellow subsidiary, amount due from related companies, amounts due to fellow subsidiaries, amounts due to related companies, insurance payables, lease liabilities, and other creditors and accrued expenses approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of fixed income investments are based on quoted market prices.

The fair values of unlisted debt securities are valued internally using a discounted cash flow model, which incorporates observable market data based on security specific characteristics. Input to the valuation model include credit ratings, credit spreads, treasury yields and issue-specific liquidity adjustments. The carrying amounts of unlisted debt securities are equal to their fair value.

The fair values of club debentures are based on quoted market prices from second hand market.

24. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments as at 31 December 2024 and 2023:

Assets measured at fair value:

		Fair value measurement using			
	Notes	Quoted price in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
31 December 2024					
Non-current					
Financial assets at fair value through other comprehensive income:					
Debt investments	14(a)	108,611,530	475,210,428	-	583,821,958
Certificates of deposit	14(a)	-	1,004,777	-	1,004,777
Financial assets at fair value through profit or loss:					
Club membership debentures	14(b)	1,520,000	-	300,000	1,820,000
		110,131,530	476,215,205	300,000	586,646,735
Current					
Financial assets at fair value through other comprehensive income:					
Debt investments	14(a)	25,411,317	121,911,511	-	147,322,828
Certificates of deposit	14(a)	-	37,545,769	-	37,545,769
		25,411,317	159,457,280	-	184,868,597
		135,542,847	635,672,485	300,000	771,515,332

24. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued):

	Notes	Fair value measurement using: Quoted price in active market (Level 1) HK$	Significant observable inputs (Level 2) HK$	Significant unobservable inputs (Level 3) HK$	Total HK$
31 December 2023					
Non-current					
Financial assets at fair value through other comprehensive income:					
Debt investments	14(a)	86,392,882	500,140,610	-	586,533,492
Certificates of deposit	14(a)	-	1,009,895	-	1,009,895
Financial assets at fair value through profit or loss:					
Club membership debentures	14(b)	1,520,000	-	300,000	1,820,000
		87,912,882	501,150,505	300,000	589,363,387
Current					
Financial assets at fair value through other comprehensive income:					
Debt investments	14(a)	22,668,902	141,842,520	-	164,511,422
Certificates of deposit	14(a)	-	15,259,653	-	15,259,653
		22,668,902	157,102,173	-	179,771,075
		110,581,784	658,252,678	300,000	769,134,462

The movements in fair value measurements in Level 3 during the year are as follows:

	HK$
Financial assets at fair value through profit or loss – unlisted	
At 31 December 2023, 1 January 2024 and 31 December 2024	300,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to the business of the Company. This safeguards not only the interest of the Company's shareholders but also that of its customers. The Company has developed a robust underwriting framework to ensure that all risks accepted meet with the guidelines and standards of the Company.

The Company's business is primarily derived from Hong Kong. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. The Company has developed a Reinsurance Management Strategy to ensure that a prudent and appropriate reinsurance protection programme is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Company's reinsurance management strategy include protection of shareholders' funds, smoothing out the peaks and troughs of the Company's underwriting result, providing the Company with competitive advantage, sound and diversified reinsurance security and developing long-term strategic partnership with key reinsurers. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment of reinsurance contract assets.

The table below sets out the concentration of insurance policies being sold by type of contract, expressed in terms of written premium.

	2024		2023	
	Gross HK$	Net HK$	Gross HK$	Net HK$
Accident and health	296,170,860	97,540,617	263,819,683	85,452,669
Motor vehicle	65,792,408	62,428,447	86,330,080	80,866,249
Ships, damage and liability	9,607,944	8,092,138	10,550,490	8,974,047
Goods-in-transit	7,013,521	5,985,138	9,325,809	7,967,971
Property damage	173,531,696	45,337,491	184,471,318	17,994,548
General liability	87,429,515	82,318,678	110,277,939	103,191,372
Pecuniary loss	316,944	238,826	175,956	24,192
	639,862,888	301,941,335	664,951,275	304,471,048

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Company issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Company's operations and the Company's management of these risks are summarised below:

Insurance risks

(1) Non-life insurance contracts

(i) Case estimate

The case estimate for each reported claim is set up based on the best estimate of the ultimate claim settlement amount considering all the information available for the claim. The case estimate will be revised from time to time according to the latest information available. When setting case estimates for larger claims, reference will be made to the advice of independent consultants such as loss adjusters and solicitors where applicable.

(ii) Assumptions in estimating the ultimate claims liability provision

Generally accepted actuarial methodologies, such as chain-ladder and Bornhuetter-Ferguson methods, are used to project the ultimate claims by class of business. Therefore the Company's past experience and claim development patterns are important assumptions for such projection. Other assumptions may include average claim costs, claims handling expenses, and claims inflation. The projected ultimate claim amount may also be judgementally adjusted by external factors such as prevailing trends in judicial decisions, economic environment and relevant government legislation.

(iii) Sensitivities

A sensitivity analysis was performed to assess the effect of increasing/decreasing the average claim costs by 10% on the Company's net income and shareholder equity in 2024 and 2023.

The analysis below is performed for reasonably possible movements in average claim cost with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity, if average claim costs were changed in a single calendar year.

	2024				2023			
	LIC as at 31 December HK$	Impact on LIC HK$	Impact on profit before income tax HK$	Impact on equity HK$	LIC as at 31 December HK$	Impact on LIC HK$	Impact on profit before income tax HK$	Impact on equity HK$
Insurance contract liabilities	412,142,918				370,642,644			
Reinsurance contract assets	(118,594,422)				(144,815,226)			
Net insurance contract liabilities	293,548,496				225,827,418			
Unpaid claims – 10% increase								
Insurance contract liabilities		(41,214,292)	41,214,292	41,214,292		(37,064,264)	37,064,264	37,064,264
Reinsurance contract assets		11,859,442	(11,859,442)	(11,859,442)		14,481,523	(14,481,523)	(14,481,523)
Net insurance contract liabilities		(29,354,850)	29,354,850	29,354,850		(22,582,741)	22,582,741	22,582,741

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance risks (continued)

(1) Non-life insurance contracts (continued)

(iv) Loss development triangle

The tables below show the development of incurred claims, including both notified and IBNR claims, over time for each successive accident year following the reporting period. Cumulative claim payments as at the end of the current reporting year are also shown.

Gross claims development

Accident Year	Note	2015 and prior HK$	2016 HK$	2017 HK$	2018 HK$	2019 HK$	2020 HK$	2021 HK$	2022 HK$	2023 HK$	2024 HK$	Total HK$
Accident year		502,228,046	328,969,015	353,772,137	374,418,843	291,223,726	398,920,361	403,597,568	510,245,131	504,434,856	368,772,123	
One year later		459,732,713	272,555,163	299,056,730	302,309,897	333,447,265	302,309,076	284,542,564	332,976,576	409,456,382		
Two years later		441,896,430	277,623,557	301,261,404	301,690,069	338,113,086	308,391,579	286,733,663	348,651,403	-		
Three years later		430,933,689	269,854,012	290,544,895	296,712,167	337,560,366	304,131,159	295,677,603	-	-		
Four years later		428,371,881	266,776,493	286,026,912	296,321,390	327,288,618	306,388,696	-	-	-		
Five years later		418,749,502	262,564,712	284,956,431	295,394,873	335,070,333	-	-	-	-		
Six years later		414,851,184	259,927,294	284,678,968	295,687,551	-	-	-	-	-		
Seven years later		413,000,731	256,708,250	286,215,454	-	-	-	-	-	-		
Eight years later		409,431,665	257,254,795	-	-	-	-	-	-	-		
Nine years later		408,295,078	-	-	-	-	-	-	-	-		
Current estimate of cumulative claims		408,295,078	257,254,795	286,215,454	295,687,551	335,070,333	306,388,696	295,677,603	348,651,403	409,456,382	368,772,123	3,311,469,418
Cumulative payment to date		(404,293,988)	(256,873,193)	(284,878,386)	(292,160,538)	(316,650,021)	(296,679,665)	(272,414,112)	(309,842,541)	(294,412,861)	(176,897,492)	(2,905,102,797)
		4,001,090	381,602	1,337,068	3,527,013	18,420,312	9,709,031	23,263,491	38,808,862	115,043,521	191,874,631	406,366,621
Effect of discounting												(21,385,709)
Claims payable												27,162,006
Total gross general insurance claims liability as per the statement of financial position	17											412,142,918

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance risks (continued)

(1) Non-life insurance contracts (continued)

(iv) Loss development triangle (continued)

Net claims development

Accident Year	Notes	2015 and prior HK$	2016 HK$	2017 HK$	2018 HK$	2019 HK$	2020 HK$	2021 HK$	2022 HK$	2023 HK$	2024 HK$	Total HK$
Accident year		357,249,703	190,257,105	202,454,124	206,652,906	117,684,832	198,949,251	194,805,332	171,604,996	198,184,670	439,513,043	
One year later		300,743,446	140,678,300	141,717,840	131,604,431	145,544,533	108,773,544	114,465,228	89,798,780	241,042,735		
Two years later		286,158,474	146,928,398	138,433,112	136,108,559	149,959,637	115,530,911	117,553,873	106,936,314	-		
Three years later		268,158,474	138,205,054	141,717,840	129,778,107	147,508,574	111,869,673	125,020,865	-	-		
Four years later		264,639,967	135,255,390	138,433,112	130,056,200	139,387,263	114,129,511	-	-	-		
Five years later		259,090,788	131,341,448	137,964,230	128,729,658	145,408,677	-	-	-	-		
Six years later		257,539,355	130,159,151	137,573,572	130,254,561	-	-	-	-	-		
Seven years later		256,628,406	127,527,838	139,098,813	-	-	-	-	-	-		
Eight years later		254,418,796	128,083,134	-	-	-	-	-	-	-		
Nine years later		253,221,678	-	-	-	-	-	-	-	-		
Current estimate of cumulative claims		253,221,678	128,083,134	139,098,813	130,254,561	145,408,677	114,129,511	125,020,865	106,936,314	241,042,735	439,513,043	1,822,709,330
Cumulative payment to date		(250,805,104)	(127,655,083)	(137,853,508)	(128,381,286)	(131,141,702)	(105,655,711)	(106,191,539)	(76,055,885)	(160,613,292)	(315,546,527)	(1,539,899,636)
		2,416,574	428,051	1,245,305	1,873,275	14,266,975	8,473,800	18,829,326	30,880,429	80,429,443	123,966,516	282,809,694
Effect of discounting												(16,423,204)
Claims payable												27,162,006
Total net general insurance claims liability as per the statement of financial position	16, 17											293,548,496

The estimated ultimate claim liabilities are subject to a significant degree of uncertainty, and should be regarded as only part of a wider range of possible outcomes based on alternative assumptions. Future claims experience is likely to deviate, possibly materially, from the projections.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities will be recognised in subsequent financial statements.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks

The Company is exposed to certain financial risks, including credit risk, liquidity risk, and market risk. The Company applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Company's key risk exposures and the primary policies and processes used by the Company to manage its exposures to these risks.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument and reinsurance contract held will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is the Company's investment portfolio, credit risk also arises in reinsurance, settlement and treasury activities.

The level of credit risk the Company accepts is managed and monitored by the Asset and Liability Management Committee, through establishment of exposure limits for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the macro-economic environment. The Company actively manages its investments to ensure that there is no significant concentration of credit risk.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

Management of the Company directs the Company's reinsurance placement policy and annually assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit ratings provided by rating agencies and other publicly available financial information. The Company also monitors the recoverability of its reinsurance contract assets on an ongoing basis.

The table below provides information regarding the maximum exposure and year-end staging of the Company at the end of the reporting period by classifying financial assets, other than reinsurance contract assets, according to credit ratings of the counterparties. The maximum exposure to credit risk is represented by the carry amount of each financial assets.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(1) Credit risk (continued)

31 December 2024

	AAA HK$	AA HK$	A HK$	BBB HK$	Not rated HK$	Total HK$
Deposits and other receivables	-	-	-	-	13,120,694	13,120,694
Financial assets at fair value through other comprehensive income	39,142,572	470,999,773	259,552,987	-	-	769,695,332
Financial assets at fair value through profit or loss	-	-	-	-	1,820,000	1,820,000
Due from related companies	-	-	4,367,181	7,464	-	4,374,645
Reinsurance contract assets	-	-	-	-	85,332,046	85,332,046
Cash and cash equivalents	-	94,004,573	-	-	-	94,004,573
	39,142,572	565,004,346	263,920,168	7,464	100,272,740	968,347,290

31 December 2023

	AAA HK$	AA HK$	A HK$	BBB HK$	Not rated HK$	Total HK$
Deposits and other receivables	-	-	-	-	11,745,311	11,745,311
Financial assets at fair value through other comprehensive income	30,097,720	498,691,922	238,524,820	-	-	767,314,462
Financial assets at fair value through profit or loss	-	-	-	-	1,820,000	1,820,000
Due from related companies	-	1,832,066	-	-	341,803	2,173,869
Due from a fellow subsidiary	-	-	-	-	1,459,520	1,459,520
Reinsurance contract assets	-	-	-	-	71,173,432	71,173,432
Cash and cash equivalents	-	158,227,268	-	-	-	158,227,268
	30,097,720	658,751,256	238,524,820	-	86,540,066	1,013,913,862

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(2) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The major liquidity risk confronting the Company is the daily call on its available cash resources in respect of claims and policy payments arising from insurance contracts. The Company manages liquidity risk through segregating minimum proportion of liquid funds to meet daily cash needs and emergency calls.

The table below summarises financial assets and liabilities of the Company into their relevant maturity groupings based on the remaining period at the end of the reporting period to their contractual maturities or expected repayment dates.

Due to the nature of the Company's business, it is not practicable to estimate the maturity profile of insurance contract liabilities and associated reinsurance recoveries. The relevant liquidity risk that is represented by this impracticability is mitigated by the Company maintaining significant levels of liquid assets, and its ability to obtain cash advances from reinsurers in the event of a major claim.

Refer to note 17 for additional information on the Company's insurance contract liabilities, as well as to the insurance risks section within note 25.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2024

	Less than 1 year HK$	1 to less than 3 years HK$	3 to 5 years HK$	Over 5 years HK$	No term HK$	Total HK$
Deposit and other receivables	10,670,114	2,450,580	-	-	-	13,120,694
Financial assets at fair value through other comprehensive income	184,868,597	249,768,569	103,704,769	231,353,397	-	769,695,332
Financial assets at fair value through profit or loss	-	-	-	-	1,820,000	1,820,000
Due from related companies	-	-	-	-	4,374,645	4,374,645
Cash and cash equivalents	94,004,573	-	-	-	-	94,004,573
Total assets	289,543,284	252,219,149	103,704,769	231,353,397	6,194,645	883,015,244
Lease liabilities	3,416,462	3,661,673	-	-	-	7,078,135
Due to fellow subsidiaries	-	-	-	-	15,648,966	15,648,966
Due to related companies	-	-	-	-	57,277,787	57,277,787
Due to an intermediate holding Company	-	-	-	-	15,518,416	15,518,416
Other creditors and accrued expenses	32,251,701	-	-	-	-	32,251,701
Insurance contract liabilities	-	-	-	-	443,650,675	443,650,675
Total liabilities	35,668,163	3,661,573	-	-	532,095,844	571,425,680

31 December 2023

	Less than 1 year HK$	1 to less than 3 years HK$	3 to 5 years HK$	Over 5 years HK$	No term HK$	Total HK$
Deposit and other receivables	9,544,730	2,200,581	-	-	-	11,745,311
Financial assets at fair value through other comprehensive income	179,771,075	223,899,296	115,873,737	247,770,354	-	767,314,462
Financial assets at fair value through profit or loss	-	-	-	-	1,820,000	1,820,000
Due from a fellow subsidiary	-	-	-	-	1,459,520	1,459,520
Due from related companies	-	-	-	-	2,173,869	2,173,869
Cash and cash equivalents	158,227,268	-	-	-	-	158,227,268
Total assets	347,543,073	226,099,877	115,873,737	247,770,354	5,453,389	942,740,430
Lease liabilities	3,524,088	7,078,135	-	-	-	10,602,223
Due to fellow subsidiaries	-	-	-	-	16,355,714	16,355,714
Due to related companies	-	-	-	-	94,006,882	94,006,882
Due to an intermediate holding Company	-	-	-	-	10,746,510	10,746,510
Other creditors and accrued expenses	26,087,040	-	-	-	-	26,087,040
Insurance contract liabilities	-	-	-	-	414,465,578	414,465,578
Total liabilities	29,611,128	7,078,135	-	-	535,574,684	572,263,947

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk

The Company's financial assets are primarily denominated in the same currencies as its insurance liabilities, which serves to mitigate the foreign currency exchange risk that arises from recognised assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled. The level of currency risk the Company accepts is managed and monitored by the Asset and Liability Management Committee, through regular monitoring of the currencies position of financial assets, as well as liabilities with regard to insurance contracts of the Company.

The Company's financial assets and liabilities are primarily denominated in Hong Kong dollars with a small proportion of United States dollars for which the exchange rates have remained relatively stable for the years ended 31 December 2024 and 2023.

The Company has no significant concentration of currency risk.

(ii) Interest rate risk

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest bearing financial assets.

The Company has no significant concentration of interest rate risk.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(3) Market risk (continued)

(ii) Interest rate risk (continued)

The Company is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred. The Company's exposure to interest rate risk sensitive insurance and reinsurance contracts are, as follows:

	Change in Interest rate	Impact on equity 2024	2023
		HK$	HK$
Insurance and reinsurance contracts	+25 basis points	895,797	861,433
Insurance and reinsurance contracts	-25 basis points	(895,797)	(861,433)

(iii) Price risk

The Company does not hold any equity investment, and no price risk exposure related to financial assets whose values will fluctuate as a result of changes in market prices.

25. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The Company's capital management objective is focused on maintaining a strong capital base to safeguard the Company's ability to continue as a going concern, to support the development of the business, maximise shareholders' value and to ensure that the Company complies with regulatory capital requirements.

The Company's insurance regulator is Insurance Authority ("IA"), which requires that the Company meets the solvency margin requirements of the Hong Kong Insurance Ordinance ("HKIO"). The HKIO (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorized to carry on insurance business in or from Hong Kong. The IA requires the Company to maintain an excess of assets over liabilities of not less than the required minimum solvency margin. The amount required under the HKIO is 100 percent of the required minimum solvency margin. The excess of assets over liabilities to be maintained by the Company required by IA is described below.

The Company will continue to maintain a solvency ratio target not less than 250% at all times and if the solvency ratio falls below the minimum target, the Company will reinstate it within a period of time as agreed with the IA.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2025.