KPMG

MSIG Insurance (Hong Kong) Limited

31 December 2024

Contents

Report of the directors

The directors herewith present their report together with the audited financial statements of the Company for the year ended 31 December 2024.

Principal place of business

MSIG Insurance (Hong Kong) Limited is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 9/F, 1111 King's Road, Taikoo Shing, Hong Kong.

Principal activity

The principal activity of the Company consists of the underwriting of general insurance business, including statutory insurance and the acceptance of reinsurance, in Hong Kong and Macau.

Financial statements

The Company's profit for the year ended 31 December 2024 and its state of financial position at that date are set out in the financial statements on pages 9 to 82.

An interim dividend of HK$75,000,000 (2023: HK$75,000,000) was paid on 17 December 2024. The directors recommend the payment of a final dividend of HK$93,852,000 in respect of the year ended 31 December 2024 (2023: HK$82,831,000).

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company during the year are set out in note 11 to the financial statements.

Directors

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

Clemens Philippi	
Roger Michael Denny	
Tan Siew Boi	
Philip Graham Kent	
Hideaki Amasaki	(resigned on 15 June 2024)
Wan Chi Tak	
Katsuya Kobayashi	(appointed on 1 January 2024 and resigned on 1 April 2025)
Shujiro Suzuki	(appointed on 15 June 2024)
Shintaro Shimada	(resigned on 1 January 2024)

In accordance with the Company's articles of association, all remaining directors will continue in office for the coming year.

Directors' interests in shares

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

Indemnity of directors

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

Directors' interests in transactions, arrangements or contracts

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

Directors' interests

Details of the emoluments paid to the directors of the Company during the year are set out in note 20(c) to the financial statements.

Apart from the above, no property was transferred, payment made, or loans advanced to, nor obligations assumed by or for, a director of the Company or his nominees or associates during the year.

Charitable donations

Charitable donations made by the Company during the year amounted to HK$Nil (2023: HK$6,000).

Management contract

During the year, an arrangement whereby MSIG Asia Pte Ltd., a fellow subsidiary, provided technical support and administration services to the Company in return for a fee was effective for an indefinite period for the Company.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Tan Siew Boi

Director

Hong Kong

29 April 2025

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Independent auditor's report to the member of MSIG Insurance (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of MSIG Insurance (Hong Kong) Limited ("the Company") set out on pages 7 to 82, which comprise the statement of financial position as at 31 December 2024, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

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

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

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

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

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

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

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Independent auditor's report to the member of MSIG Insurance (Hong Kong) Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the 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.

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Independent auditor's report to the member of MSIG Insurance (Hong Kong) Limited (continued)

(Incorporated in Hong Kong with limited liability)

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

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

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

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

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

We communicate with the directors, 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.

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Certified Public Accountants

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

29 April 2025

Income statement
for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* $'000	*2023* $'000
Insurance results			
Insurance revenue	14	1,154,637	1,110,558
Insurance service expenses	4	(807,130)	(843,227)
Net expenses from reinsurance contracts	14	(257,821)	(182,853)
Insurance service result		89,686	84,478
Investment results			
Interest revenue calculated using effective interest method	3	54,066	42,231
Investment income	3	16,132	2,795
Net impairment loss on financial assets	3	467	(337)
Investment return		70,665	44,689
Net finance expenses from insurance contracts	14	(31,301)	(33,149)
Net finance income from reinsurance contracts	14	8,904	6,741
Net financial result		48,268	18,281
Other operating and administrative expenses	4	(16,320)	(8,449)
Finance cost for lease liabilities	10	(1,088)	(898)
Other expenses, net	5	(506)	(132)
Profit before taxation		120,040	93,280
Income tax expense	6	(26,186)	(10,449)
Profit for the year attributable to the equity shareholder of the Company		93,854	82,831

Note:

The notes on pages 15 to 82 form part of these financial statements. Details of dividends payable to the equity shareholder of the Company attributable to the profit for the year are set out in note 8.

Statement of comprehensive income for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* $'000	*2023* $'000
Profit for the year		93,854	82,831
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit retirement plan	15	574	(576)
Items that may be reclassified subsequently to profit or loss:			
Debt investments at fair value through other comprehensive income ("FVOCI")			
- net change in fair value	3	(2,013)	43,370
- net amount reclassified to profit or loss	3	(394)	(286)
- impairment loss taken to profit or loss	3	(467)	337
Related income tax	6	(905)	(5,881)
		(3,779)	37,540
Other comprehensive income for the year, net of tax		(3,205)	36,964
Total comprehensive income for the year attributable to the equity shareholder of the Company		90,649	119,795

Note:

The notes on pages 15 to 82 form part of these financial statements. Details of dividends payable to the equity shareholder of the Company attributable to the profit for the year are set out in note 8.

Statement of financial position at 31 December 2024

(Expressed in Hong Kong dollars)

	Note	2024 $'000	2023 $'000
Assets			
Goodwill	7	1,286,585	1,286,585
Intangible assets	9	4,513	4,529
Right-of-use assets	10	35,002	18,486
Property, plant and equipment	11	10,713	7,634
Deferred tax assets	16	6	4,370
Financial investments measured at fair value	13	1,638,229	1,708,622
Reinsurance contract assets	14	316,336	275,161
Prepayments, deposits and other receivables		30,226	28,180
Current tax recoverable	16	-	1,496
Amount due from group and related companies		585	786
Pledged bank deposits	12	119,059	119,059
Deposits with original maturity more than three months		17,327	82,326
Cash and cash equivalents	17	276,061	230,376
Total assets		3,734,642	3,767,610
Liabilities			
Insurance contract liabilities	14	1,221,858	1,214,542
Accruals and other payables		72,243	73,219
Amount due to group and related companies		576	1,886
Current tax payable	16	18,084	1,896
Lease liabilities	18	35,513	21,946
Defined benefit retirement plan	15	1,596	2,242
Deferred tax liabilities	16	337	262
Total liabilities		1,350,207	1,315,993
NET ASSETS		2,384,435	2,451,617

Statement of financial position at 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	*2024* $'000	*2023* $'000
CAPITAL AND RESERVES			
Share capital	19	1,625,842	1,625,842
Reserves		758,593	825,775
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDER OF THE COMPANY		2,384,435	2,451,617

Approved and authorised for issue by the Board of Directors on 29 April 2025.

Shujiro Suzuki
Director

Philip Graham Kent
Director

The notes on pages 15 to 82 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	Share capital $'000	*Reserves* Investment revaluation reserve $'000	*Reserves* Retained profits $'000	*Reserves* Total $'000
Balance at 1 January 2023		1,625,842	(93,257)	941,912	2,474,497
Changes in equity for 2023:					
Profit for the year		-	-	82,831	82,831
Other comprehensive income		-	37,540	(576)	36,964
Total comprehensive income		-	37,540	82,255	119,795
Dividend approved in respect of prior years	8	-	-	(67,675)	(67,675)
Dividend declared in respect of current year	8	-	-	(75,000)	(75,000)
Balance at 31 December 2023		1,625,842	(55,717)	881,492	2,451,617
Balance at 1 January 2024		1,625,842	(55,717)	881,492	2,451,617
Changes in equity for 2024:					
Profit for the year		-	-	93,854	93,854
Other comprehensive income		-	(3,779)	574	(3,205)
Total comprehensive income		-	(3,779)	94,428	90,649
Dividend approved in respect of prior years	8	-	-	(82,831)	(82,831)
Dividend declared in respect of current year	8	-	-	(75,000)	(75,000)
Balance at 31 December 2024		1,625,842	(59,496)	818,089	2,384,435

The notes on pages 15 to 82 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* $'000	*2023* $'000
Operating activities			
Profit before taxation		120,040	93,280
Adjustments for:			
Depreciation of property, plant and equipment	11	5,471	8,417
Depreciation of right-of-use assets	10	16,650	18,513
Movement in expected credit loss	3	(467)	337
Interest income	3	(59,013)	(47,254)
Dividend income	3	(8,725)	(11,185)
Interest expense on lease liabilities	10	1,088	898
Net realised gains on disposal of financial investments		(1,244)	(286)
Unrealised losses on financial investments		(1,216)	13,699
Loss on disposal of property, plant and equipment	5	285	-
Amortisation of intangible assets	9	16	16
Operating cash flow before working capital changes		72,885	76,435
Increase in reinsurance contract assets		(41,175)	(73,407)
Decrease/(increase) in prepayments, deposits and other receivables		728	(2,007)
Decrease/(increase) in amount due from group and related companies		201	(208)
Increase in insurance contract liabilities		7,316	101,742
(Decrease)/increase in amount due to group and related companies		(1,310)	213
Decrease in accruals and other payables		(976)	(6,329)
(Decrease)/increase in defined benefit retirement plan		(72)	64
Cash generated from operations carried forward		37,597	96,503

Cash flow statement
for the year ended 31 December 2024 (continued)
(Expressed in Hong Kong dollars)

	Note	2024 $'000	2023 $'000
Cash generated from operations brought forward		37,597	96,503
Tax paid			
- Hong Kong Profits Tax		(3,483)	(12,362)
- Overseas tax		(1,486)	(2,988)
Net cash generated from operating activities		32,628	81,153
Investing activities			
Payment for purchase of financial investments		(513,642)	(532,089)
Proceeds from sale of financial investments		584,311	325,203
Interest received		56,017	46,399
Dividend received		8,725	11,185
Payment for purchase of property, plant and equipment	11	(9,107)	(3,755)
Proceeds from disposal of property, plant and equipment		272	78
Decrease in deposits with original maturity more than three months		64,999	37,078
Decrease in pledged deposits		-	61,286
Net cash generated from/(used in) investing activities		191,575	(54,615)
Financing activities			
Dividend paid to equity shareholder of the Company	8	(157,831)	(142,675)
Capital element of lease rentals paid	17(b)	(19,599)	(18,492)
Interest element of lease rentals paid	17(b)	(1,088)	(898)
Net cash used in financing activities		(178,518)	(162,065)

Cash flow statement
for the year ended 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	*2024* $'000	*2023* $'000
Net increase/(decrease) in cash and cash equivalents		45,685	(135,527)
Cash and cash equivalents at 1 January		230,376	365,903
Cash and cash equivalents at 31 December	17(a)	276,061	230,376
Analysis of balances of cash and cash equivalents			
Cash and bank balances	17(a)	105,382	96,680
Deposits with original maturity less than three months	17(a)	170,679	133,696
		276,061	230,376

The notes on pages 15 to 82 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which comprise all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 23).

(b) Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except that:

- financial investments are stated at their fair value; and

- liabilities and assets for incurred claims of insurance and reinsurance contracts are measured at the related fulfilment cash flows.

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance contract liabilities, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position and requires management to make complex judgements based on information and financial data that may change in the future periods.

1 Material accounting policies (continued)

Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The material accounting policies adopted in the preparation of the financial statements are set out below.

(c) Changes in accounting policies

The following relevant new amendments to standards have been adopted for the first time for the financial year ended 31 December 2024 and have no material impact to the Company:

- Amendments to HKAS 1, *Classification of liabilities as current or non-current*;

- Amendments to HKAS 1, *Non-current liabilities with covenants*;

- Amendments to HKAS 7 and HKFRS 7, *Supplier finance arrangements*; and

- Amendments to HKFRS 16, *Lease liability in a sale and leaseback.*

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting year. There is no material impact of the adoption of the new and amended HKFRSs.

(d) Insurance and reinsurance contracts

(i) Product classification - insurance and reinsurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Contracts held by the Company which transfer significant insurance risk related to insurance contracts are classified as reinsurance contracts. The Company considers the time value of money in the significant insurance risk assessment.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly.

1 Material accounting policies (continued)

(ii) Separating components from insurance and reinsurance contracts

At inception, the Company assesses its insurance and reinsurance contracts to determine whether they contain any distinct components which must be accounted for under a standard other than HKFRS 17. The Company separates the following components from an insurance and reinsurance contract and accounts for them separately using the applicable accounting standards:

- Derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument;

- Distinct investment component i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component. All remaining components are then measured and accounted for under HKFRS 17.

(iii) Level of aggregation

The level of aggregation for the Company is determined by identifying portfolios of insurance contracts based on how it manages its business. Each portfolio comprises contracts that are subject to similar risks and are managed together and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- Any contracts that are onerous at initial recognition;

- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

- Any remaining contracts in the annual cohort.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The resulting groups represent the level at which the recognition and measurement accounting policies are applied.

1 Material accounting policies (continued)

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

The Company divides portfolios of proportional reinsurance contracts applying the same principles set out for the direct side, except that the references to onerous contracts refer to contracts which are on a net gain position at initial recognition. For non-proportional reinsurance contracts, this is maintained at the treaty level.

(iv) Recognition

The Company recognises insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the contracts. The coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.

- The date when the first payment from a policyholder in the contract becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.

- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

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

- The beginning of the coverage period of the reinsurance contracts held; and

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

However, the Company delays the recognition of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

1 Material accounting policies (continued)

(v) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts if the Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than HKFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

(a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

(b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a). The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(vi) Insurance contract assets/liabilities

Insurance contract liabilities are comprised of the liabilities for remaining coverage and liability for incurred claims. The liability for remaining coverage represents the Company's obligation under existing insurance contracts for insured events that have not yet occurred (i.e. obligation that relates to unexpired portion of the coverage period). The liability for incurred claims represents the Company's obligation under existing contracts for insured events that have already occurred, including events that have occurred but claims have not yet been reported, and other incurred insurance expenses.

1 Material accounting policies (continued)

(vii) Reinsurance contract assets/liabilities

The Company cedes reinsurance in the normal course of business. Reinsurance contract assets primarily include assets for remaining coverage and assets for incurred claims. Assets for remaining coverage relates to balances that are yet to be expensed off subsequently (i.e. cost that relates to unexpired portion of the coverage period). Assets for incurred claims represents the amounts to be recovered from reinsurers arising from claims. The Company takes into account the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes. These are incorporated in the balances of assets for remaining coverage and assets for incurred claims.

(viii) Contract boundary

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

A substantive obligation to provide services ends when:

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

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and the pricing of the premiums for coverage up to reassessment date does not take into account risks that relate to periods after reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

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

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

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

- has a substantive right to terminate the coverage.

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

1 Material accounting policies (continued)

(ix) Measurement

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

Insurance contracts issued

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary; or

- For contracts longer than one year, the Company has conducted PAA eligibility testing where the result of the liability for remaining coverage under PAA does not differ materially to that calculated under the general measurement model ("GMM").

Reinsurance contracts held

- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

- Risk-attaching reinsurance contracts: The Company has conducted PAA eligibility testing where the result of the asset for remaining coverage under PAA does not differ materially to that calculated under GMM.

(a) Insurance contracts issued

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

1 Material accounting policies (continued)

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid one year or less from the date the claims are incurred.

(b) Reinsurance contracts held

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage.

(x) Derecognition and modification

The Company derecognises a contract when it is extinguished - i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(xi) Presentation

The Company presents portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities separately in the statement of financial position.

Any assets for insurance acquisition cash flows recognised before recognising the related groups of contracts are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the income statement into:

- insurance service result, comprising insurance revenue and insurance service expenses, and

- insurance finance income or expenses

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis in the income statement as 'Net expenses from reinsurance contacts' as part of the insurance service result.

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

1 Material accounting policies (continued)

(a) Insurance revenue

The Company allocates the expected premium receipts to each period of coverage 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 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 the periods presented, all revenue has been recognised on the basis of passage of time.

The insurance revenue excludes any investment component.

(b) Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. By the end of the coverage period of the group of contracts, the loss component will be zero.

(c) Insurance service expense

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

- Incurred claims and other insurance service expenses.

- Amortisation of insurance acquisition cash flows.

- Losses on onerous contracts and reversals of such losses.

- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

1 Material accounting policies (continued)

(d) Net expenses from reinsurance contracts

The Company presents separately on the face of the income statement, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the income statement.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and

- when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

(e) Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from time value of money, financial risk and changes therein. The Company recognised insurance finance income and expenses directly in income statement.

(e) Other income

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

(i) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial assets;

(ii) realised gains and losses on disposal of property, plant and equipment and financial investments measured at fair value are recognised in the income statement when the relevant transaction is completed;

1 Material accounting policies (continued)

(iii) dividend income is recognised when the shareholder's right to receive payment has been established.

(f) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) 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.

(iii) Long term employee benefits

The Company provides long service bonus to employees who joined before 2002 and will work with the Company for thirty years. The bonus is accrued over the performance period of the employees, taking into account the time value of money, the expected cash outflow and an estimated attrition rate.

(iv) Defined contribution plans

The Company operates a defined contribution retirement benefit scheme as defined in the Hong Kong Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for those employees who are eligible and have elected to participate in the scheme. The assets of the ORSO Scheme are held separately from those of the Company in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. When an employee leave the ORSO Scheme prior to his/her interest in the Company's employer contributions vesting fully, the ongoing contributions payable by the Company may be reduced by the relevant amount of forfeited contributions.

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. This MPF Scheme operates in a similar way to the ORSO Scheme, except that the Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

1 Material accounting policies (continued)

(v) Defined benefit plan

The Company has the following two categories of defined benefit plans:

- defined benefit retirement plans registered under the Hong Kong Occupational Retirement Schemes Ordinance (the "ORSO plans")

- long service payment ("LSP") under the Hong Kong Employment Ordinance.

The Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. For ORSO plans, the benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Company's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method. For ORSO plans, when the calculation results in a benefit to the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of other operating and administrative expenses. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 Material accounting policies (continued)

(g) Income tax

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

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Material accounting policies (continued)

(h) Goodwill

Goodwill arising on the acquisition of an insurance business represents the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units. Each unit to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

(i) Property, plant and equipment and depreciation

Items of property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(j)), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life as follows:

1 Material accounting policies (continued)

The below items are depreciated on a straight-line basis over their estimated useful lives:

- Motor vehicle	25%
- Office equipment	25% to $33^{1}/_{3}$%
- Furniture and fixtures	20%

No depreciation is provided for work in progress.

Where parts of an item of property, 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 depreciation method are reviewed, and adjusted if appropriate, at each end of the reporting period.

An item of property, plant and equipment 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 the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(j) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Company has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

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

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

1 Material accounting policies (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(n)).

Right-of-use asset is depreciated over the shorter of unexpired term of lease and its estimated useful life.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(k) Intangible assets

Intangible assets are club debentures that are acquired by the Company for long-term purposes. They are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the asset's estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

- Club debenture	2%

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 Material accounting policies (continued)

(l) Investment

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 21(f). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Company are classified as measured at FVTPL when the contractual cash flows of the investment do not represent solely payments of principal and interest ("SPPI"). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

If the contractual cash flows of the investment comprise SPPI and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, the investment would be classified as fair value through other comprehensive income ("FVOCI"). Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

(ii) Equity investment

An investment in equity securities is classified as measured at FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL, are recognised in profit or loss as other income in accordance with the policy set out in note 1(e).

1 Material accounting policies (continued)

(iii) Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

(iv) Derecognition

An investment is derecognised where:

- the rights to receive cash flows from the investment have expired;

- the Company retains the rights to receive cash flows from the investment, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Impairment of assets

(i) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents and other receivables) and non-equity investments measured at FVOCI.

Other financial assets measured at fair value, including units in bond funds, equity and debt investments measured at FVTPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

1 Material accounting policies (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 Material accounting policies (continued)

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

- failure to make payments of principal or interest on their contractually due dates.

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have been a significant adverse effect on the debtor's ability to meet its obligation to the Company.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(e) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

1 Material accounting policies (continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is calculated as 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 each 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. In assessing the 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 the income statement in the period in which it arises.

1 Material accounting policies (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 that asset, however 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 impairment loss is credited to the income statement in the period in which it arises.

(o) Other financial assets and other financial liabilities

Other financial assets are initially recognised at fair value and thereafter stated at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case, they are stated at cost less impairment losses, see note 1(n) for details.

Other financial liabilities are initially recognised at fair value and subsequently stated at amortised cost, using the effective interest method unless the effect of discounting is immaterial, in which case, they are stated at cost.

(p) Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. All differences are taken to the income statement. 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 ruling at the date when the fair value was measured.

1 Material accounting policies (continued)

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Company's parent.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment 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); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

2 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Company's accounting policies

The Company makes estimates, assumptions and judgements that affect the application of policies and reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and management's experience.

(i) Income tax

The Company is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax payables based on estimates of whether additional taxes will be due. Where the final tax outcome of these transactions are different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determinations are made.

(ii) Classification of insurance and reinsurance contracts

The Company assesses whether the insurance and reinsurance contracts transfer significant risk. More details are given in note 1(d).

(iii) Level of aggregation of insurance and reinsurance contracts

The Company will identify the portfolio of contracts and determine groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. More details are given in note 1(d)(iii).

(iv) Contract boundary

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the insurance and reinsurance contracts. The Company issued contracts with renewal clause, termination clause, automatic extension clause and maintenance clause.

2 Accounting judgement and estimates (continued)

Contracts with renewal feature have a re-pricing mechanism under which the Company has the practical ability to reprice the contracts on maturity of the stated terms and policyholders are not compelled to pay renewal premiums. The Company determines that the cash flows related to future renewals of these contracts are outside the contract boundary. The Company has policies that provide unilateral rights to policyholders to terminate the policy at any time by giving notice as indicated in the contracts. The expected cash flows beyond the end of the notice period are considered cash flows of new policies and are recognised separately from the initial contract. The Company will determine the contract boundary for contracts with automatic extension clause based on whether it has the right to reprice the contracts for the extension period. If the Company has the right to reprice for the period of extension, the cash flows related to the extension period will not be included as part of the contract boundary. If the Company does not have the right to reprice for the extension period, the contract boundary should include the cash flows related to the automatic extension period. Cash flows related to a maintenance period are recorded as part of the contract boundary.

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

(b) Estimation uncertainty

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

(i) Insurance contract liabilities

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period. 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 notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. Further details of the claims estimation process are described in note 14 to the financial statements. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are discounted for the time value of money.

The carrying value of insurance contract liabilities at the end of the reporting period for these general insurance contracts was HK$1,221,858,000 (2023: HK$1,214,542,000).

2 Accounting judgement and estimates (continued)

(ii) Impairment of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. The Company is engaged in the underwriting of general insurance business and management considers that the Company consists of a single cash-generating unit.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2024 was HK$1,286,585,000 (2023: HK$1,286,585,000). Further details are provided in note 7 to the financial statements.

3 Net financial result

The following table analyses the Company's net financial result in profit or loss and OCI:

	2024 $'000	*2023* $'000
Amounts recognised in profit or loss:		
Interest revenue calculated using the effective interest method		
Interest revenue from financial investments measured at FVOCI		
- listed bonds	7,008	3,193
- listed debentures	17,237	15,383
- unlisted debentures	9,325	7,601
- certificate of deposits	1,358	281
Bank interest income	19,138	15,773
	54,066	42,231
Other investment income		
Interest revenue from financial investments measured at FVTPL		
- listed bonds	4,947	5,023
Net gain/(loss) on financial investments mandatorily measured at FVTPL	1,216	(13,699)
Realised gain on financial investments measured at FVOCI	1,244	286
Dividend income from listed unit trust	-	4,032
Dividend income from unlisted unit trust	8,725	7,153
	16,132	2,795
Net impairment loss on financial assets		
ECL on financial investments measured at FVOCI	467	(337)
Total	70,665	44,689

3 Net financial result (continued)

	2024 $'000	*2023* $'000
Amounts recognised in OCI:		
Net change in fair value on financial investments measured at FVOCI	(2,013)	43,370
Net realised gain reclassified to profit or loss	(394)	(286)
ECL taken to profit or loss	(467)	337
Total	(2,874)	43,421

	2024			*2023*		
	Gross $'000	*Reinsurance* $'000	*Total* $'000	*Gross* $'000	*Reinsurance* $'000	*Total* $'000
Net finance expense/(income) from insurance and reinsurance contracts						
Interest accreted to insurance contracts using current financial assumptions	32,249	(8,882)	23,367	30,078	(6,287)	23,791
Due to changes in interest rates and other financial assumptions	(948)	(22)	(970)	3,071	(454)	2,617
Total net finance expenses from insurance contracts in profit of loss	31,301	(8,904)	22,397	33,149	(6,741)	26,408

4 Expenses

	2024	*2023*
	$'000	$'000
Claims	310,773	356,683
Fee and commissions	239,367	226,216
Losses on onerous insurance contracts	(1,490)	4,056
Auditor's remuneration		
- audit services	3,311	3,054
- tax services	105	97
Depreciation		
- owned property, plant and equipment (Note 11)	5,471	8,417
- right-of-use assets (Note 10)	16,650	18,513
Employee benefits expense (including directors' remuneration:		
- salaries, wages and allowances	184,793	176,374
- contributions to defined contribution retirement plans	12,225	13,535
- expense in relation to long term employee benefits	339	(924)
- expense recognised in respect of defined benefit retirement plan (Note 15)	611	603
Government subsidy - Employment Support Scheme (Note)	-	(125)
Charitable donations	-	6
Loss on disposal of property, plant and equipment	285	-
IT maintenance fee	15,247	10,223
Management fee to fellow subsidiary	15,372	13,398
Others	28,280	25,933
	831,339	856,059
Amortisation of insurance acquisition cash flows	358,808	346,140
Amounts attributed to insurance acquisition cash flows incurred during the year	(367,173)	(349,880)
Net impairment loss on assets for insurance acquisition cash flows	476	(643)
Total	823,450	851,676
Represented by:		
Insurance service expenses	807,130	843,227
Other operating and administrative expenses	16,320	8,449
	823,450	851,676

Note: In 2023, the Company successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding is to provide financial support to employers to retain their current employees or fire more employees when the business revives. Under the terms of the grant, the Company is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

5 Other expenses, net

	2024 $'000	*2023* $'000
Loss on disposal of property, plant and equipment	285	-
Foreign exchange difference, net	221	132
	506	132

6 Taxation in the income statement

	2024 $'000	*2023* $'000
Amounts recognised in profit or loss:		
Current tax - Hong Kong Profits Tax		
Provision for the year	31,977	1,079
(Over)/under provision in respect of prior year	(597)	1,553
	31,380	2,632
Current tax - Overseas		
Provision for the year	248	1,407
	31,628	4,039
Deferred tax		
Origination and reversal of temporary differences	(5,442)	6,410
	26,186	10,449
Amounts recognised in OCI:		
Current tax - Hong Kong Profits	8,973	-
Deferred tax	(9,878)	(5,881)
	(905)	(5,881)

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, taking into account the enhanced concessionary tax rate of 8.25% which came into effect on 19 March 2021 on income for certain qualifying insurance-related businesses conducting business in Hong Kong.

Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in Macau, based on existing legislation, interpretations and practices in respect thereof.

6 Taxation in the income statement (continued)

A reconciliation of the tax charge applicable to profit before taxation using the statutory rates to the tax charge at the effective tax rate is as follows:

2024	*Hong Kong* $'000	*Macau* $'000	*Total* $'000
Profit before taxation	116,322	3,718	120,040
Tax at the statutory tax rate	19,028	377	19,405
Income not subject to tax	(11,352)	-	(11,352)
Tax impact due to change in insurance capital requirements	24,020	-	24,020
Non-deductible expenses	356	68	424
Over-provision in respect of prior year	(597)	-	(597)
Others	(5,077)	(637)	(5,714)
Actual tax charge	26,378	(192)	26,186

2023	*Hong Kong* $'000	*Macau* $'000	*Total* $'000
Profit before taxation	81,651	11,629	93,280
Tax at the statutory tax rate	13,322	1,326	14,648
Income not subject to tax	(5,270)	-	(5,270)
Non-deductible expenses	190	69	259
Under-provision in respect of prior year	1,553	-	1,553
Others	(746)	5	(741)
Actual tax charge	9,049	1,400	10,449

Pillar Two income taxes

The Company operates in Hong Kong, which has enacted new tax laws to implement the Pillar Two model rules published by the OECD. The new tax laws plan to proceed with potential substantial enactment in the first quarter of 2025. When these laws take effect, the Company expects to be subject to a new top-up tax in Hong Kong in relation to its operations in Macau, where the additional tax deductions in connection with government support would result in an effective tax rate of lower than 16.5%. As the new tax laws are not yet effective, the Company does not recognise any current tax relating to the Pillar Two model rules for the year ended 31 December 2024.

6 Taxation in the income statement (continued)

The Company has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred.

If the new tax laws had applied in Hong Kong in 2024, the profits relating to the Company's operations in Macau would be subject to the corresponding Pillar Two income taxes. For the year ended 31 December 2024, such profits amounted to HK$3,718,000 and the average effective tax rate applicable to those profits was 12%.

7 Goodwill

	2024 $'000	*2023* $'000
Cost and carrying amount at 1 January and 31 December	1,286,585	1,286,585

Impairment testing of goodwill

On 1 March 2005, the Company's ultimate holding company, MS&AD Insurance Group Holdings, Inc., completed its acquisition of the general insurance operations in Asia of CGU International Insurance plc ("CGU"), for a total consideration of US$450 million. The general insurance business carried out by the Hong Kong Branch of CGU ("CGU-HK") and the Macau Branch of CGU ("CGU Macau") formed part of the acquisition and was acquired by the Company. On 1 March 2005, the completion date of the business acquisition, the assets and liabilities of CGU-HK and CGU-Macau were transferred to the Company at their fair values.

Goodwill arose from this acquisition and was recognised according to the accounting policy as set out in note 1(h). The Company is engaged in the underwriting of general insurance business and management considers that the Company consists of a single cash-generating unit.

The recoverable amount of the Company has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a four-year period as approved by the Company's management. Cash flows from the fifth year to the tenth year are extrapolated using an estimated weighted average growth rate of 3.6% (2023: 4.3%). The discount rate applied to the cash flow projection is 8.97% (2023: 8.5%) and the terminal growth rate used to extrapolate cash flows projections beyond the tenth year is 4% (2023: 4%).

Key assumptions used in the cash flow projections included financial budgets and discount rates. Financial budgets are determined with reference to underwriting and financial results experience from previous years and management's current expectations with regards to the future performance of the business. The discount rate is calculated using observable market information to the extent that such information is relevant to the Company.

8 Dividends

(i) Dividends payable to the equity shareholder of the Company attributable to the year:

	2024 $'000	*2023* $'000
Interim dividend declared and paid of 4.61 cents per ordinary share (2023: 4.61 cents per ordinary share)	75,000	75,000
Final dividend proposed after the end of the reporting period of 5.77 cents (2023: 5.09 cents) per ordinary share	93,852	82,831
	168,852	157,831

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to the equity shareholder of the Company attributable to the previous financial year, approved and paid during the year:

	2024 $'000	*2023* $'000
Final dividend proposed after the end of the reporting period of 5.09 cents (2023: 4.16 cents) per ordinary share	82,831	67,675

9 Intangible assets

	2024 $'000	*2023* $'000
Net book value:		
At 1 January	4,529	4,545
Amortisation	(16)	(16)
At 31 December	4,513	4,529

10 Right-of-use assets

The Company has obtained the right to use properties as its office premises and staff quarters through tenancy agreements. The leases typically run for an initial period of 2 to 6 years. Lease payments are usually increased every 3 years to reflect market rentals.

	2024 $'000	*2023* $'000
Cost:		
At 1 January	96,269	97,192
Additions	33,166	2,727
Disposals	-	(3,650)
At 31 December	129,435	96,269
Accumulated depreciation:		
At 1 January	(77,783)	(62,920)
Charge for the year	(16,650)	(18,513)
Written-back on disposals	-	3,650
At 31 December	(94,433)	(77,783)
Net book value:		
At 31 December	35,002	18,486

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024 $'000	*2023* $'000
Properties leased for own use, carried at depreciated cost	35,002	18,486

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 $'000	*2023* $'000
Depreciation charge of right-of-use assets on properties leased for own use	16,650	18,513
Interest on lease liabilities	1,088	898
Expenses relating to short-term leases	1,553	1,918

During the year, additions to right-of-use assets were HK$33,166,000 (2023: HK$2,727,000). This amount is entirely related to the capitalised lease payments payable under new tenancy agreements.

10 Right-of-use assets (continued)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(c) and 18 respectively.

11 Property, plant and equipment

	Motor vehicle $'000	*Office equipment* $'000	*Furniture and fixtures* $'000	*Total* $'000
Cost:				
At 1 January 2024	1,815	46,058	22,654	70,527
Additions	-	4,026	5,081	9,107
Disposals	-	(8,473)	(4,324)	(12,797)
At 31 December 2024	1,815	41,611	23,411	66,837
Accumulated depreciation:				
At 1 January 2024	(1,226)	(39,885)	(21,782)	(62,893)
Depreciation during the year	(337)	(4,474)	(660)	(5,471)
Write-back on disposals	-	8,405	3,835	12,240
At 31 December 2024	(1,563)	(35,954)	(18,607)	(56,124)
Net carrying amount:				
At 31 December 2024	252	5,657	4,804	10,713

	Motor vehicle $'000	*Office equipment* $'000	*Furniture and fixtures* $'000	*Total* $'000
Cost:				
At 1 January 2023	1,815	42,478	22,638	66,931
Additions	-	3,739	16	3,755
Disposals	-	(159)	-	(159)
At 31 December 2023	1,815	46,058	22,654	70,527
Accumulated depreciation:				
At 1 January 2023	(889)	(35,648)	(18,020)	(54,557)
Depreciation during the year	(337)	(4,318)	(3,762)	(8,417)
Write-back on disposals	-	81	-	81
At 31 December 2023	(1,226)	(39,885)	(21,782)	(62,893)
Net carrying amount:				
At 31 December 2023	589	6,173	872	7,634

12 Pledged bank deposits

As at 31 December 2024, bank deposits amounting to HK$119,059,000 (2023: HK$119,059,000) were pledged in favour of the Autoridade Monetária de Macau ("AMCM") as required under existing legislation in Macau, including the Macau Insurance Ordinance, Decree Law No. 27/97/M of 30 June 1997, amended by Law No. 21/2020, regulating the carrying on of insurance activities in Macau.

13 Financial investments measured at fair value

(a) Financial investments measured at fair value

	2024 $'000	*2023* $'000
Financial investments at FVOCI		
Fixed interest debt securities, at market value:		
- listed government bonds in Hong Kong	279,720	181,037
- listed non-government debentures in Hong Kong	567,778	562,048
- unlisted debentures	227,233	348,092
- certificates of deposit	50,618	7,848
	1,125,349	1,099,025
Variable interest debt securities, at market value:		
- unlisted debentures	6,008	6,009
	1,131,357	1,105,034
Financial investments at FVTPL		
Unit trusts, at market value:		
- listed in Hong Kong	-	106,750
- unlisted	314,125	307,671
	314,125	414,421
Fixed interest debt securities, at market value:		
- listed government bonds in Hong Kong	192,747	189,167
	506,872	603,588
Total	1,638,229	1,708,622

Non-equity investments held by the Company are classified as measured at FVTPL when the contractual cash flows of the investment do not represent SPPI.

13 Financial investments measured at fair value (continued)

As at 31 December 2024, investments of HK$73,000,000 (2023: HK$73,000,000) were pledged in favour of AMCM as required under the Macau Insurance Ordinance, Decree - Law No. 27/97/M of 30 June 1997, as amended by Law No. 21/2020, regulating the carrying out of insurance activities in Macau.

Maturity profile of financial investments

The maturity profile of debt securities measured at fair value as at the end of the reporting period is as follows:

	2024	*2023*
	$'000	$'000
With a residual maturity of:		
- One year or less	307,236	384,547
- More than one year	1,016,868	909,654
	1,324,104	1,294,201

(b) Credit rating of investments

Included in financial investments measured at fair value on the Company's statement of financial position are certain investments in collective investment schemes which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These collective investment schemes include investments in unit trusts established by third parties. These schemes provide the Company with a variety of investment opportunities through managed investment strategies.

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk (see note 21(h)) and the capital commitments. The maximum exposure to loss, which represents the maximum loss that the Company could be required to report as a result of its involvement with these collective investment schemes regardless of the probability of the loss being incurred, is equivalent to the carrying amount of these investments.

14 Insurance and reinsurance contracts

(a) Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and the statement of comprehensive income.

	2024	*2023*
	$'000	$'000
Insurance contract liabilities		
- Insurance contract balances	1,305,682	1,296,966
- Assets for insurance acquisition cash flows	(83,824)	(82,424)
	1,221,858	1,214,542
Reinsurance contract assets	316,336	275,161

14 Insurance and reinsurance contracts (continued)

(i) Analysis by remaining coverage and incurred claims - Insurance contracts issued

	2024				
	Liability for remaining coverage (LFRC)		*Liability for incurred claims (LIC)*		
	Excluding loss component $'000	*Loss component* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Total* $'000
Net balance as at 1 January	(293,279)	(12,851)	(907,879)	(82,957)	(1,296,966)
Insurance revenue	1,154,637	-	-	-	1,154,637
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(682,582)	(33,810)	(716,392)
Changes that relate to past service - Adjustments to LIC	-	-	230,561	36,495	267,056
Losses and reversal of losses on onerous contracts	-	1,490	-	-	1,490
Amortisation of insurance acquisition cash flows	(358,808)	-	-	-	(358,808)
	(358,808)	1,490	(452,021)	2,685	(806,654)
Insurance service result	795,829	1,490	(452,021)	2,685	347,983
Net finance expenses from insurance contracts	-	-	(28,674)	(2,627)	(31,301)
Total changes in the income statement	795,829	1,490	(480,695)	58	316,682
Premiums received	(1,172,956)	-	-	-	(1,172,956)
Claims and other insurance service expenses paid	-	-	482,261	-	482,261
Insurance acquisition cash flows	365,297	-	-	-	365,297
Total cash flows	(807,659)	-	482,261	-	(325,398)
Net balance as at 31 December	(305,109)	(11,361)	(906,313)	(82,899)	(1,305,682)
Expected to be recovered within 12 months					(785,937)
Expected to be recovered after 12 months					(519,745)

14 Insurance and reinsurance contracts (continued)

(i) Analysis by remaining coverage and incurred claims - Insurance contracts issued (continued)

	2023				
	Liability for remaining coverage (LFRC)		Liability for incurred claims (LIC)		
	Excluding loss component $'000	Loss component $'000	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Net balance as at 1 January	(264,966)	(8,795)	(847,403)	(65,845)	(1,187,009)
Insurance revenue	1,110,558	-	-	-	1,110,558
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	(770,537)	(41,563)	(812,100)
Changes that relate to past service - Adjustments to LIC	-	-	291,546	26,880	318,426
Losses and reversal of losses on onerous contracts	-	(4,056)	-	-	(4,056)
Amortisation of insurance acquisition cash flows	(346,140)	-	-	-	(346,140)
	(346,140)	(4,056)	(478,991)	(14,683)	(843,870)
Insurance service result	764,418	(4,056)	(478,991)	(14,683)	266,688
Net finance expenses from insurance contracts	-	-	(30,720)	(2,429)	(33,149)
Total changes in the income statement	764,418	(4,056)	(509,711)	(17,112)	233,539
Premiums received	(1,135,039)	-	-	-	(1,135,039)
Claims and other insurance service expenses paid	-	-	449,235	-	449,235
Insurance acquisition cash flows	342,308	-	-	-	342,308
Total cash flows	(792,731)	-	449,235	-	(343,496)
Net balance as at 31 December	(293,279)	(12,851)	(907,879)	(82,957)	(1,296,966)
Expected to be recovered within 12 months					(771,200)
Expected to be recovered after 12 months					(525,766)

14 Insurance and reinsurance contracts (continued)

(ii) Analysis by remaining coverage and incurred claims - Reinsurance contracts held

	2024				
	Assets for Remaining coverage (AFRC)		*Assets for Incurred claims (AIC)*		
	Excluding loss-recovery component $'000	*Loss-recovery component* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Total* $'000
Net balance as at 1 January	(2,161)	3,043	241,732	32,547	275,161
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(310,383)	-	-	-	(310,383)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	122,372	12,438	134,810
Adjustments to assets for incurred claims	-	-	(65,512)	(12,354)	(77,866)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	(3,039)	-	-	(3,039)
	-	(3,039)	56,860	84	53,905
Investment components	(2,500)	-	2,500	-	-
Effect of changes in non-performance risk of reinsurers	-	-	(1,343)	-	(1,343)
Net expenses from reinsurance contracts	(312,883)	(3,039)	58,017	84	(257,821)
Net finance income from reinsurance contracts	-	-	7,838	1,066	8,904
Total changes in the income statement	(312,883)	(3,039)	65,855	1,150	(248,917)
Cash flows					
Premiums paid	331,444	-	-	-	331,444
Amounts received	-	-	(41,352)	-	(41,352)
Total cash flows	331,444	-	(41,352)	-	290,092
Net balance as at 31 December	16,400	4	266,235	33,697	316,336
Expected to be settled within 12 months					189,180
Expected to be settled after 12 months					127,156

14 Insurance and reinsurance contracts (continued)

(ii) Analysis by remaining coverage and incurred claims - Reinsurance contracts held (continued)

	2023				
	Assets for Remaining coverage (AFRC)		Assets for Incurred claims (AIC)		
	Excluding loss-recovery component $'000	Loss-recovery component $'000	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Total $'000
Net balance as at 1 January	3,904	85	182,908	14,857	201,754
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(291,186)	-	-	-	(291,186)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	173,338	19,035	192,373
Adjustments to assets for incurred claims	-	-	(85,095)	(1,933)	(87,028)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	2,958	-	-	2,958
	-	2,958	88,243	17,102	108,303
Investment components	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	30	-	30
Net expenses from reinsurance contracts	(291,186)	2,958	88,273	17,102	(182,853)
Net finance income from reinsurance contracts	-	-	6,153	588	6,741
Total changes in the income statement	(291,186)	2,958	94,426	17,690	(176,112)
Cash flows					
Premiums paid	285,121	-	-	-	285,121
Amounts received	-	-	(35,602)	-	(35,602)
Total cash flows	285,121	-	(35,602)	-	249,519
Net balance as at 31 December	(2,161)	3,043	241,732	32,547	275,161
Expected to be settled within 12 months					153,832
Expected to be settled after 12 months					121,329

14 Insurance and reinsurance contracts (continued)

(b) Assets for insurance acquisition cash flows

	2024 $'000	*2023* $'000
Balance as at 1 January	82,424	74,209
Insurance acquisition cash flows	367,173	349,880
Amounts derecognised and included in the measurement of insurance contracts	(365,297)	(342,308)
Impairment losses and reversals	(476)	643
Balance as at 31 December	83,824	82,424

The following table sets out when the Company expects to derecognise assets for insurance acquisition cash flows after the reporting date:

	2024 $'000	*2023* $'000
Less than one year	83,824	82,424
	83,824	82,424

(c) Terms, assumptions, concentrations and sensitivities

(i) Terms and conditions

The major classes of insurance written by the Company include motor, employee compensation, public liability, household, marine, healthcare, commercial and business interruption insurance. Risks under these policies usually cover a 12-month duration.

For insurance contracts, claims provisions, comprising provisions for claims reported and claims incurred but not yet reported, are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined by management quarterly as part of the regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by geographical area and class of business. In addition, larger claims are usually either separately assessed by loss adjustors or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

14 Insurance and reinsurance contracts (continued)

(ii) Assumptions

Liability for incurred claims consist of outstanding claims notified and incurred but not reported ("IBNR"), including risk adjustment and internal claims handling expenses while liability for remaining coverage consist of the unearned premium reserves, net of deferred acquisition costs, including any outstanding premium receivables and their values are carried in the statement of financial position.

The principal methods used to determine the best estimate of the claim liabilities are the Chain Ladder methods, namely Incurred Development Method and Average Cost per Reported Claim Method and Average Cost per Reported Claim Method. The Chain Ladder methods involve the analysis of historical claim development and the selection of estimated development based on this historical pattern. For later accident quarters where there is greater uncertainty, the Bornhuetter-Ferguson method, a combination of claims experience and loss ratio assumptions, is used.

The best estimate of the liability for remaining coverage has been calculated by applying a future loss to the unearned premium reserve and making allowances for expenses and risk adjustment. The future loss ratio is set with reference to observed loss ratios, adjusted for the effect of recent changes to premium rates, underwriting terms and policy terms where applicable.

The risk adjustment is determined in accordance with generally accepted actuarial methods including the Mack and bootstrapping methods. The risk adjustment takes into account the size and nature of the business, so larger accounts and shorter tailed classes of business will require a smaller risk margin than smaller accounts and longer tailed classes of business.

Direct, facultative and treaty businesses are not modelled separately because there is insufficient volume of data to support a credible separate analysis.

The Company considers the claim liabilities gross and net of reinsurance in its valuation of reserves.

The actuarial review is based on profitability grouping definitions, which is generally consistent with the portfolio definitions, rather than Statutory class definitions. This makes it easier to compare the valuation results to its accounted figures. It also allows analysis of some classes to be performed in more detail, which will improve the accuracy of the valuation. Where a material segment within a portfolio is onerous and being cross subsidised by other profitable segments, the material segment is split out and considered as a separate profitability grouping.

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

14 Insurance and reinsurance contracts (continued)

Discount rates

All fulfilment cash flows relating to liability for incurred claims are discounted using selected yield curves. The Company uses the bottom-up approach for computation of discount rate consistent with the position taken by the general insurance industry. The bottom-up discount rate comprises of a risk-free discount rate and an illiquidity premium.

The Company determines risk-free discount rates using the government bond risk free yield curve. The government bond yield curves will be extracted from the relevant source, and linearly interpolated as necessary to reflect the required time intervals.

The Company has elected to not hold an illiquidity premium. General insurance contracts have very variable, unpredictable cashflows. Therefore, to generate a yield curve that reflects these cashflows would require a very liquid asset to be selected, so that it can be sold at any point in time in order to meet the liabilities. Given this, using government bond curves to derive the discount rate is an appropriate match for the cashflows in terms of both duration and timing.

For the business written within the Company, the exposure is predominantly in the domestic currency.

	1 year		*5 years*		*10 years*	
	2024	*2023*	*2024*	*2023*	*2024*	*2023*
HKD	3.88%	3.99%	3.60%	2.94%	3.65%	3.02%

Risk adjustment

The risk adjustment is determined in accordance with actuarial methods in accordance with generally accepted actuarial methods. The risk adjustment takes into account the size and nature of the business, so larger accounts and shorter tailed classes of business will require a smaller risk adjustment than smaller accounts and longer tailed classes of business.

Applying the confidence level technique at reserving class level, the Company estimates the probability distribution of the expected value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk at the 75th percentile (on both a gross and net of reinsurance basis) over the expected present value of future cash flows. A diversification factor is also applied to each class to allow for diversification benefits. The diversification factor will be selected on both a gross and net of reinsurance basis.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies the confidence level technique on both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

14 Insurance and reinsurance contracts (continued)

(iii) Concentrations of insurance risk

Within the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities.

The Company is subject to concentration risks arising from accidents relating to common carriers, fire, epidemics, earthquakes and other natural disasters that affect the properties, physical conditions and lives of the policyholders insured by the Company. To cover these risks, facultative, excess of loss and catastrophe reinsurance arrangements have been made by the Company.

The Company determines the total aggregate exposure that it is prepared to accept in relation to general insurance risk concentrations. It monitors these exposures both at the time of underwriting a risk and periodically thereafter. Ongoing monitoring includes the performance of stress tests and catastrophe scenario simulations.

To determine the reinsurance coverage required, scenario analyses are performed to investigate the potential financial impacts on the Company. The risks the Company insures are predominantly Hong Kong and Macau risks which result in a geographical concentration of insurance risk.

The following table sets out the carrying amounts of the Company's insurance contracts (net of reinsurance) by type of product.

	2024 $'000	*2023* $'000
Personal Motor	104,349	111,303
Personal Property	31,216	38,877
Personal Other	18,518	17,432
Commercial Motor	95,023	98,502
Commercial Property	100,551	121,534
Commercial Employer's Liability	408,131	404,801
Commercial Public Liability	95,206	92,056
Marine Cargo and Hull	32,255	38,066
Health Care	12,370	15,924
Commercial Other	55,360	49,728
Personal Accident	36,367	33,582
Total	989,346	1,021,805

14 Insurance and reinsurance contracts (continued)

(iv) Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the end of the reporting period.

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

The Company believes that the provision for outstanding claims is adequate. The Company has performed sensitivity tests on the provision for outstanding claims by varying the following assumption used in the reserve calculation:

	2024		*2023*	
	Change in profit or loss $'000	*Change in equity* $'000	*Change in profit or loss* $'000	*Change in equity* $'000
5% Increase of gross ultimate loss ratio	(32,048)	(32,048)	(38,201)	(38,201)
5% decrease of gross ultimate loss ratio	31,351	31,351	36,250	36,250
5% increase of net ultimate loss ratio	(26,230)	(26,230)	(28,873)	(28,873)
5% decrease of net ultimate loss ratio	25,534	25,534	26,994	26,994

For sensitivities related to discounting, refer to note 21.

14 Insurance and reinsurance contracts (continued)

(v) Loss development triangles

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net of reinsurance basis.

The following claim development tables show the cumulative gross and net of reinsurance incurred claims, including both reported and IBNR claims, for each successive accident year at each end of the reporting period, together with cumulative claims as at the current end of the reporting period. This reconciles the cumulative claims to the amount included in the statement of financial position.

Analysis of claims development - gross of reinsurance

31 December 2024	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*
$'000								
Gross of reinsurance								
Estimates of undiscounted gross cumulative claims								
At end of accident year	812,592	597,756	559,084	524,016	455,057	633,547	544,019	
One year later	744,022	528,955	465,977	470,189	376,310	525,843	-	
Two years later	730,777	487,669	403,284	387,979	327,501	-	-	
Three years later	709,192	457,387	381,944	363,690	-	-	-	
Four years later	702,293	446,609	369,168	-	-	-	-	
Five years later	664,430	439,777	-	-	-	-	-	
Six years later	685,029	-	-	-	-	-	-	
Cumulative gross claims paid	(635,902)	(397,587)	(337,285)	(308,638)	(232,511)	(249,503)	(126,936)	
Gross liabilities - accident years from 2018 to 2024	49,127	42,190	31,883	55,052	94,990	276,340	417,083	966,665
Gross liabilities - accident years before 2018								55,973
Effect of discounting								(33,426)
Gross liabilities for incurred claims included in the statement of financial position								989,212

Analysis of claims development - net of reinsurance

31 December 2024	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*
$'000								
Net of reinsurance								
Estimates of undiscounted net cumulative claims								
At end of accident year	520,524	480,607	405,419	397,401	374,640	460,209	421,647	
One year later	485,919	430,733	357,042	367,166	318,006	398,715	-	
Two years later	495,212	401,387	301,419	316,213	280,230	-	-	
Three years later	498,497	381,236	285,365	299,409	-	-	-	
Four years later	494,122	369,064	278,443	-	-	-	-	
Five years later	461,423	356,449	-	-	-	-	-	
Six years later	456,745	-	-	-	-	-	-	
Cumulative net claims paid	(428,440)	(332,885)	(254,317)	(253,284)	(201,948)	(214,622)	(117,738)	
Net liabilities - accident years from 2018 to 2024	28,305	23,564	24,126	46,125	78,282	184,093	303,909	688,404
Net liabilities - accident years before 2018								27,613
Effect of discounting								(26,737)
Net liabilities for incurred claims included in the statement of financial position								689,280

15 Employee retirement benefits

The amount recognised in the statement of financial position is as follows:

	2024 $'000	*2023* $'000
Defined benefit retirement plan (note (a))	1,273	1,915
Long service payment liabilities (note (b))	323	327
	1,596	2,242

(a) *Defined benefit retirement plan*

On 1 January 2009, following the portfolio transfer from a fellow subsidiary, staff previously employed by the fellow subsidiary were transferred under the same employment terms and benefits to the Company. Accordingly, the defined benefit retirement plan previously operated by the fellow subsidiary is now operated by the Company.

The Company makes contributions to a defined benefit retirement plan which covers 2% of the Company's employees (2023: 2%). The plan is administered by a trustee with assets being held separately from those of the Company.

The plan is funded by contributions from the Company in accordance with an independent actuary's recommendation based on a triennial actuarial valuation. The latest independent actuarial valuation of the plan was at 31 December 2024 and was prepared by qualified staff of Towers Watson Company, who are members of the Institute of Actuaries, using the projected unit credit method.

(i) The assets and liabilities under defined benefit retirement plan are as follows:

	2024 $'000	*2023* $'000
Present value of funded obligations	(18,846)	(18,064)
Fair value of plan assets	17,573	16,149
	(1,273)	(1,915)

A portion of the above assets is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Company expects to pay HK$700,000 in contributions to the defined benefit retirement plan in 2025 (2023: HK$801,827).

15 Employee retirement benefit (continued)

(ii) The split of plan assets into different major asset classes (as a percentage of total plan assets) is as follows:

	2024 %	*2023* %
Equities	6	6
Fixed income securities	92	92
Cash	2	2
Total	100	100

Most of the plan assets are invested in the Manulife Guaranteed Fund (previously known as Standard Chartered Bank Guaranteed Fund), with a guaranteed return of 5% p.a..

(iii) Movements in the present value of the defined benefit retirement plan obligations:

	2024 $'000	*2023* $'000
At 1 January	18,064	19,412
Current service cost	552	530
Interest cost	514	657
Benefit paid	-	(3,458)
Actuarial (gain)/loss	(284)	923
At 31 December	18,846	18,064

The weighted average duration of the defined benefit retirement plan obligation is 3.6 years (2023: 4.4 years).

(iv) Movements in net assets recognised in the statement of financial position are as follows:

	2024 $'000	*2023* $'000
At 1 January	(1,915)	(1,602)
Contributions paid to the plan	679	866
Remeasurement of defined benefit retirement plan	574	(576)
Expense recognised in the income statement	(611)	(603)
At 31 December	(1,273)	(1,915)

15 Employee retirement benefit (continued)

(v) Amounts recognised in the income statement and other comprehensive income are as follows:

	2024 $'000	2023 $'000
Current service cost	552	530
Interest cost	44	43
Administrative expenses	15	30
Total amounts recognised in the income statement within other operating and administration expense	611	603
Actuarial (gain)/loss	(284)	923
Return on plan assets, excluding interest income	(290)	(347)
Total amounts recognised in other comprehensive income	(574)	576
Total defined benefit costs	37	1,179

(vi) Significant actuarial assumptions (expressed as weighted average) and sensitivity analysis are as follows:

	2024	2023
Discount rate	3.4%	2.9%
Future salary increases	4.0%	4.0%

The below analysis shows how the defined benefit obligation as at 31 December 2024 would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

2024	Increase in 0.25% $'000	Decrease in 0.25% $'000
Discount rate	(165)	168
Future salary increases	100	(99)

2023	Increase in 0.25% $'000	Decrease in 0.25% $'000
Discount rate	(199)	203
Future salary increases	137	(135)

15 Employee retirement benefit (continued)

(b) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at $22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Company's contributions to MPF scheme or ORSO plans, with an overall cap of HK$390,000 per employee. Currently, the Company does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Company has accounted for the offsetting mechanism and its abolition as disclosed in note 1(f).

The Company has determined that the Amendment Ordinance primarily impacts the Company's LSP liability with respect to Hong Kong employees that do not participate in the Company's ORSO plans. The Amendment Ordinance has no material impact on the Company's LSP liability with respect to employees that participate in the Company's ORSO plans.

16 Income tax in the statement of financial position

(a) *Current taxation in the statement of financial position represents:*

	2024 $'000	*2023* $'000
Provision for Hong Kong Profits Tax for the year	23,001	1,078
Provisional Hong Kong Profits Tax paid	(5,575)	(2,574)
	17,426	(1,496)
Provision for overseas taxation	658	1,896
	18,084	400

(b) *Deferred tax assets and liabilities recognised:*

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	*Expected credit losses* $'000	*Depreciation allowances in excess of the related depreciation* $'000	*Revaluation of investments* $'000	*Long service provision* $'000	*Net insurance contract liabilities* $'000	*Total* $'000
At 1 January 2023, as previously reported	-	(988)	23,335	545	(6,493)	16,399
Charged to income statement	130	314	(7,570)	(297)	1,013	(6,410)
Charged to investment revaluation reserve	-	-	(5,881)	-	-	(5,881)
At 31 December 2023 and 1 January 2024	130	(674)	9,884	248	(5,480)	4,108
Charged to income statement	(73)	92	-	(57)	5,480	5,442
Charged to investment revaluation reserve	-	-	(9,881)	-	-	(9,881)
At 31 December 2024	57	(582)	3	191	-	(331)

All of the deferred tax assets/(liabilities) are expected to be recovered/(settled) after one year.

16 Income tax in the statement of financial position (continued)

(c) Reconciliation to the statement of financial position:

	2024 $'000	*2023* $'000
Net deferred tax asset in the statement of financial position	6	4,370
Net deferred tax liability in the statement of financial position	(337)	(262)
	(331)	4,108

17 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2024 $'000	*2023* $'000
Cash and bank balances	105,382	96,680
Deposits with original maturity less than three months	170,679	133,696
Total	276,061	230,376

Cash at bank earns interest at floating rates based on daily bank deposits rates. Fixed deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term time deposit rates. The carrying amounts of the fixed deposits and cash and cash equivalents approximate their fair values at the year end.

17 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities	
	2024	*2023*
	$'000	$'000
At 1 January	21,946	37,711
Changes from financing cash flows:		
Capital element of lease rentals paid	(19,599)	(18,492)
Interest element of lease rentals paid	(1,088)	(898)
Total changes from financing cash flows	(20,687)	(19,390)
Other changes:		
Increase in lease liabilities from entering into new leases during the period	33,166	2,727
Interest expenses	1,088	898
Total other changes	34,254	3,625
At 31 December	35,513	21,946

(c) Amounts included in the cash flow statement for leases comprise the following:

Amounts included in the cash flow statement for leases comprise the following:

	2024	*2023*
	$'000	$'000
Within operating cash flows	(1,553)	(1,918)
Within financing cash flows	(20,687)	(19,390)
	(22,240)	(21,308)

These amounts relate entirely to lease rentals paid during the year ended 31 December 2024 and 2023.

18 Lease liabilities

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 $'000	2023 $'000
Within 1 year	12,309	20,530
After 1 year but within 2 years	11,286	934
After 2 years but within 5 years	11,918	482
	35,513	21,946

19 Capital and reserves

(a) *Share capital*

	2024 No. of shares	2024 $'000	2023 No. of shares	2023 $'000
Ordinary shares issued and fully paid:				
At 1 January and 31 December	1,625,842,000	1,625,842	1,625,842,000	1,625,842

(b) *Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative net change in the fair value of financial investments measured at FVOCI held at the end of reporting period and is dealt with in accordance with the accounting policies in note 1(l).

(c) *Capital management*

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder, promptly pay policyholders' claims and to satisfy regulatory capital requirements. This is achieved by pricing products and services commensurately with the level of risk. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

Regulatory capital requirements apply to the Company's operations in Hong Kong and Macau. The Company is required to hold assets sufficient to cover liabilities and satisfy the solvency capital rules in the respective jurisdictions. The principal solvency requirements that apply to the Company are those set out in the Hong Kong Insurance Ordinance. The external capital requirements that apply to the Company have changed from the prior period following the adoption of Risk-based Capital Regime during 2024. The Company has established an internal solvency benchmark that exceeds the minimum regulatory requirements and is monitored on a regular basis by senior management. Pre-emptive actions are taken to avoid instances of possible shortfalls in the capital position of the Company. The Company complied with the applicable solvency requirements of the Hong Kong Insurance Ordinance during the current and prior year.

19 Capital and reserves (continued)

The Company defines "capital" as including all components of equity less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Company as capital. On this basis the amount of capital employed at 31 December 2024 was HK$2,384,435,000 (2023: HK$2,451,617,000).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements set out in the Hong Kong Companies Ordinance. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

20 Material related party transactions

(a) *Transactions with related parties:*

During the year, the Company paid a management fee of HK$15,372,000 (2023: HK$13,398,000) to MSIG Asia Pte Ltd., a fellow subsidiary, in respect of technical support, administration services and system development provided to the Company. The terms of the arrangement were negotiated between the parties.

(b) *Outstanding balances with related parties:*

At 31 December 2024, the Company had an outstanding management fee payable to MSIG Asia Pte Ltd., a fellow subsidiary, of HK$576,000 (2023: HK$1,886,000), and receivables from group companies of HK$585,000 (2023: HK$786,000). The balances are unsecured, interest-free and are repayable on a monthly basis.

Included in insurance contracts liabilities and reinsurance contract assets disclosed elsewhere in the financial statements are the below outstanding balances with related parties:

	2024 $'000	*2023* $'000
Included in insurance contract liabilities		
- Reinsurance inward premiums receivable	4,993	-
- Reinsurance inward claims payable	-	(132)
Included in reinsurance contract assets		
- Reinsurance premiums payable	(18,363)	(17,246)
- Reinsurance loss recoveries receivable	2,112	1,448

20 Material related party transactions (continued)

(c) Compensation of key management personnel of the Company:

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	2024 $'000	2023 $'000
Short-term employee benefits	30,006	29,855
Post-employment benefits	1,970	3,490
Total compensation paid to key management personnel	31,976	33,345

Directors' emoluments for the year, disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2024 $'000	2023 $'000
Fees	750	750
Other emoluments:		
- salaries, allowances and benefits in kind	6,790	6,574
- performance related bonuses	1,100	1,100
- pension scheme contributions	335	321
	8,225	7,995
	8,975	8,745

(d) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Company entered into the following material related party transactions:

	2024 $'000	2023 $'000
Business ceded to related companies (note (i))		
- Outward reinsurance premiums	98,595	74,545
- Commission income	19,923	12,859
- Reinsurance loss recoveries	20,683	9,720

Note (i): The Company ceded business to, received commission from, and recovered claims from, holding companies and fellow subsidiaries.

20 Material related party transactions (continued)

	2024 $'000	*2023* $'000
Business ceded from related companies (note (ii))		
- Inward reinsurance premiums	6,531	8,336
- Commission expense	260	340

Note (ii): The Company accepted business from and paid commission to holding companies and fellow subsidiaries.

21 Risk management objectives, policies and processes

(a) Governance framework

The Company has established a framework of responsibilities which is consistent with the following generally recognised basic principles of risk management practice:

(i) overview by the board of directors and senior management;

(ii) risk management process that provides for continuous risk monitoring by management, regular reporting of risk development, and the implementation of mitigating actions; and

(iii) comprehensive internal controls and assurance processes linked to key business risks.

(b) Regulatory framework

The operations of the Company are also subject to local regulatory requirements which require approval and monitoring of activities and impose certain restrictive provisions.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations, and arises principally from the Company's reinsurance assets and financial investments. The Company's exposure to credit risk arising from cash and cash equivalent is limited because the counterparties are bank and financial institutions with a minimum credit rating of A assigned by Standard and Poors, which the Company considers to represent low credit risk. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposures - e.g. individual obligor default risk, country risk and sector risk.

In respect of financial investments, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, and setting the minimum ratings for the issuer.

21 Risk management objectives, policies and processes (continued)

Deposits are placed in regulated financial institutions with high credit ratings. Their exposure to credit risk is not considered significant.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties, and limiting the exposure to individual counterparties.

There is no significant concentration of credit risk within the Company. The list of approved counterparties is subject to regular review by management.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

			2024		
	Aaa-Ba3	*B1*	*B2 or less*	*Not rated*	*Total*
	$'000	$'000	$'000	$'000	
Financial investments	1,324,104	-	-	-	1,324,104
Reinsurance contract assets	313,340	29	-	2,967	316,336
Total credit risk exposure	1,637,444	29	-	2,967	1,640,440

			2023		
	Aaa-Ba3	*B1*	*B2 or less*	*Not rated*	*Total*
	$'000	$'000	$'000	$'000	
Financial investments	1,294,201	-	-	-	1,294,201
Reinsurance contract assets	273,370	41	-	1,750	275,161
Total credit risk exposure	1,567,571	41	-	1,750	1,569,362

The following table set out the credit quality analysis of financial assets measured at FVOCI (recycling). Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	2024						
	Investment grade			*Non-investment grade*			
	12-month ECL	*Lifetime ECL not credit-impaired*	*Lifetime ECL credit-impaired*	*12-month ECL*	*Lifetime ECL not credit-impaired*	*Lifetime ECL credit-impaired*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets at FVOCI (recycling)							
Gross carrying amount	1,200,182	-	-	-	-	-	1,200,182
Less: Loss allowance	(352)	-	-	-	-	-	(352)
Amortised cost	1,199,830	-	-	-	-	-	1,199,830
Carrying amount - fair value	1,131,357	-	-	-	-	-	1,131,357

21 Risk management objectives, policies and processes (continued)

	2023						
	Investment grade			Non-investment grade			
	12-month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	12-month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Financial assets at FVOCI (recycling)							
Gross carrying amount	1,171,452	-	-	-	-	-	1,171,452
Less: Loss allowance	(819)	-	-	-	-	-	(819)
Amortised cost	1,170,633	-	-	-	-	-	1,170,633
Carrying amount - fair value	1,105,034	-	-	-	-	-	1,105,034

Amounts arising from ECL on financial assets

Movement in the loss allowance account in respect of financial investments during the year is as follows:

	2024			
	12-month ECL $'000	Lifetime ECL Not-credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Balance at 1 January 2024	819	-	-	819
- Net remeasurement of loss allowance	(68)	-	-	(68)
- New financial assets acquired	135	-	-	135
- Financial assets derecognised	(534)	-	-	(534)
Balance at 31 December 2024	352	-	-	352

	2023			
	12-month ECL $'000	Lifetime ECL Not-credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Balance at 1 January 2023	-	-	-	-
Impact of initial adoption of HKFRS9	482	-	-	482
Balance at 1 January 2023 (restated)	482	-	-	482
- Net remeasurement of loss allowance	284	-	-	284
- New financial assets acquired	117	-	-	117
- Financial assets derecognised	(64)	-	-	(64)
Balance at 31 December 2023	819	-	-	819

21 Risk management objectives, policies and processes (continued)

(d) Liquidity risk

Liquidity risk is the risk where a company is unable to meet its obligations at reasonable cost or at any time. The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times.

The following table presents the earliest contractual settlement dates of the Company's financial liabilities and the estimated settlement pattern of the Company's insurance contract liabilities at the end of the reporting period.

(i) Insurance contracts

			Undiscounted cash flows			
	Carrying amount $'000	*Total contractual undiscounted cash flow* $'000	*Within 1 year* $'000	*1 to 2 years* $'000	*2 to 5 years* $'000	*More than 5 years* $'000
31 December 2024						
Insurance contracts						
Insurance contract liabilities	(989,212)	(1,022,638)	(674,523)	(208,700)	(135,515)	(3,900)

			Undiscounted cash flows			
	Carrying amount $'000	*Total contractual undiscounted cash flow* $'000	*Within 1 year* $'000	*1 to 2 years* $'000	*2 to 5 years* $'000	*More than 5 years* $'000
31 December 2023						
Insurance contracts						
Insurance contract liabilities	(990,836)	(1,023,925)	(664,076)	(219,417)	(136,476)	(3,956)

21 Risk management objectives, policies and processes (continued)

(ii) Other liabilities

	2024					
	Carrying amount $'000	*Total contractual undiscounted cash flow* $'000	*Within 1 year* $'000	*1 to 2 years* $'000	*2 to 5 years* $'000	*More than 5 years* $'000
Accruals and other payables	72,243	72,243	72,243	-	-	-
Amount due to group and related companies	576	576	576	-	-	-
Defined benefit retirement plan	1,596	1,941	57	79	1,215	590
Lease liabilities	35,513	37,894	13,577	12,082	12,235	-
	109,928	112,654	86,453	12,161	13,450	590

	2023					
	Carrying amount $'000	*Total contractual undiscounted cash flow* $'000	*Within 1 year* $'000	*1 to 2 years* $'000	*2 to 5 years* $'000	*More than 5 years* $'000
Accruals and other payables	73,219	73,219	73,219	-	-	-
Amount due to group and related companies	1,886	1,886	1,886	-	-	-
Defined benefit retirement plan	2,242	2,391	78	80	1,706	527
Lease liabilities	21,946	22,337	20,889	962	486	-
	99,293	99,833	96,072	1,042	2,192	527

(e) Interest rate risk

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

The Company's financial investments are inherently exposed to interest rate risk. In managing this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile and matching the duration of invested assets with the duration of maturing liabilities, which may change over time, based on the fund manager's and the Company's Investment Committee's longer-term view of interest rates and economic conditions.

The Company's reinsurance contract assets and insurance contract liabilities are sensitive to interest rate risk.

21 Risk management objectives, policies and processes (continued)

(i) Interest rate profile

The following tables set out the carrying amount, by maturity, of the Company's assets and liabilities that are exposed to interest rate risk:

	2024			*2023*		
	Fixed rate	*Floating-rate*	*Total*	*Fixed rate*	*Floating-rate*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Financial instruments						
Assets	1,625,160	111,385	1,736,545	1,623,272	102,685	1,725,957

(ii) Sensitivity analysis

The following table presents analysis of how a possible shift in market interest rates might impact the balances of contracts within the scope of HKFRS 17 and those arising from financial assets held by the entity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Company which exposes the Company to fair value interest rate risk at the end of the reporting period. The one percentage point increase represents management's assessment of a reasonably possible change in interest rate over the period until the next end of the reporting period.

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 Company is exposed to interest rate risk 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.

		1.0% increase in interest rates Impact on:		*1.0% decrease in interest rates Impact on:*	
	Balances subject to interest rate risk	*Profit or loss*	*Investment revaluation reserve within Equity*	*Profit or loss*	*Investment revaluation reserve within Equity*
	$'000	$'000	$'000	$'000	$'000
31 December 2024					
Insurance and reinsurance contracts	(696,810)	7,528	-	(7,750)	-
Financial assets	1,324,104	(1,110)	(37,362)	345	68,077
31 December 2023					
Insurance and reinsurance contracts	(722,768)	7,741	-	(8,893)	-
Financial assets	1,294,201	(3,552)	(42,495)	3,656	35,954

21 Risk management objectives, policies and processes (continued)

(f) Estimation of fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

Fair value of the Company's investments is based on quoted market prices at the end of the reporting period without any deduction for transaction costs. Where quoted prices are not available, the fair value of interest-bearing investments is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using Level 1 inputs i.e. quoted prices (unadjusted) in active markets for identical financial instruments at the measurement date

- Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2024

	Level 1 $'000	*Level 2* $'000	*Level 3* $'000	*Total* $'000
Assets				
Financial investments:				
Bonds				
- Listed	472,467	-	-	472,467
Debentures				
- Listed	567,778	-	-	567,778
- Unlisted	-	233,241	-	233,241
Unit trusts				
- Unlisted	-	314,125	-	314,125
Certificates of deposit	-	50,618	-	50,618
	1,040,245	597,984	-	1,638,229

21 Risk management objectives, policies and processes (continued)

2023

	Level 1 $'000	*Level 2* $'000	*Level 3* $'000	*Total* $'000
Assets				
Financial investments:				
Bonds				
- Listed	370,204	-	-	370,204
Debentures				
- Listed	562,048	-	-	562,048
- Unlisted	-	354,101	-	354,101
Unit trusts				
- Listed	106,750	-	-	106,750
- Unlisted	-	307,671	-	307,671
Certificates of deposit	-	7,848	-	7,848
	1,039,002	669,620	-	1,708,622

During the year, there were no transfers between Level 1 and Level 2.

(g) *Foreign currency risk*

The Company issues insurance contracts which are primarily denominated in Hong Kong dollars. The Company pursues a policy of matching assets and liabilities, in both currency and duration. The Company is exposed to foreign currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD").

As the HKD is pegged to the USD, the Company considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

(h) *Equity price risk*

The Company is exposed to equity price changes arising from unlisted unit trusts investments classified as financial investments (2023: listed and unlisted unit trusts) (see note 13). The Company's listed unit trusts are listed on the Stock Exchange of Hong Kong. This risk is defined as the potential loss in market value resulting from an adverse change in prices. As at 31 December 2024, a hypothetical 10% variance in market prices would result in a HK$31,412,000 increase/decrease in the Company's profit or loss and equity (2023: HK$41,442,000 increase/decrease in the Company's profit or loss and equity).

21 Risk management objectives, policies and processes (continued)

(i) Insurance risk

The risk under an insurance contract is the possibility of the occurrence of an insured event, and the uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The Company has an objective to control and minimise insurance risk in order to reduce the volatility of operating profits. The Company manages insurance risk mainly through the following mechanisms:

(i) Actuarial models are used in making pricing decisions and monitoring claims patterns.

(ii) Proactive claims handling procedures to prevent settlement of dubious or fraudulent claims.

(iii) Reinsurance arrangements to limit the Company's exposure to large claims, by placing risk with reinsurers.

(iv) Diversification is accomplished by achieving a sufficiently large population of risks to reduce the variability of the expected outcome.

22 Immediate and ultimate controlling party

At 31 December 2024, the directors consider the immediate holding company to be Mitsui Sumitomo Insurance Company Limited and the ultimate holding company to be MS & AD Insurance Group Holdings Inc., which is incorporated and listed in Japan. This entity produces financial statements available for public use.

23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial Instruments* and HKFRS 7, *Financial instruments: disclosures - Amendments to the classification and measurement of Financial Instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards - Volume 11	1 January 2026
HKFRS 18, *Presentation and Disclosure in Financial Statements: presentation of the income and cash flow statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's financial statements.