Hang Seng Insurance Company Limited

恒生保險有限公司

31 December 2025

Contents **Page(s)**

Contents (continued) **Page(s)**

Notes to the financial statements (continued)

Report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

Hang Seng Insurance Company Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 83 Des Voeux Road Central, Hong Kong.

Principal activities and business review

The principal activities of the Company are the transaction of life assurance and retirement benefit businesses.

The Company is exempt from the requirement to prepare a business review under section 388(3) of the Companies Ordinance Cap. 622 since it is a wholly-owned subsidiary (as defined in section 357(3) of the Companies Ordinance Cap. 622) of Hang Seng Bank Limited ("HASE").

Results and appropriations

The results of the Company for the year ended 31 December 2025 are set out in the income statement on page 10.

The directors declared and paid the first and second interim dividend of HK$3.713 (2024: HK$3.1590) per share totaling HK$2,386,106,593 (2024: HK$2,030,031,706). The directors do not recommend any final dividend in respect of the year ended 31 December 2025 (2024: Nil).

Share capital

The Company has not issued any shares for the year ended 31 December 2025. Details of share capital of the Company are set out in Note 23 to the financial statements.

Equity-linked agreements

For the year ended 31 December 2025, the Company has not entered into any equity-linked agreement.

Directors of the Company

The directors of the Company, who were in office as at the date of this report, were:

Luanne H H Lim (Chairman)
Winnie S W Ching
Freddie Y W Chui*
May H M Knight*
Rannie W L Lee
Edward C L Moncreiffe
Say Pin Saw
Chi Fai Yam*

* Independent non-executive director

All the above directors served on the board of the Company throughout the year, except that Luanne H H Lim and Winnie S W Ching were appointed as directors of the Company with effect from 24 December 2025 and 27 January 2026 respectively.

Ka Chun Cheung and Diana F Cesar resigned as directors of the Company with effect from 22 July 2025 and 20 October 2025 respectively. No notices in writing have been received from Ka Chun Cheung and Diana F Cesar specifying that their resignations were due to reasons relating to the affairs of the Company.

Luanne H H Lim and Winnie S W Ching will retire from the board at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer themselves for election.

Say Pin Saw will retire from the board by rotation at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer herself for re-election.

Directors' interests in shares

During the term of office in 2025, Diana F Cesar, Ka Chun Cheung, Rannie W L Lee, Luanne H H Lim, Edward C L Moncreiffe and Say Pin Saw were eligible to be granted conditional awards over ordinary shares of HSBC Holdings plc by that company (being the ultimate holding company of the Company) under various HSBC share plans.

During the term of office in 2025, Diana F Cesar, Ka Chun Cheung, Rannie W L Lee, Luanne H H Lim, and Edward C L Moncreiffe acquired ordinary shares in HSBC Holdings plc following release of conditional awards of shares under HSBC Share Plans awarded in 2022, 2023, 2024 and 2025. Say Pin Saw acquired ordinary shares in HSBC Holdings plc following release of conditional awards of shares under HSBC Share Plans awarded in 2023, 2024 and 2025.

During the term of office in 2025, Ka Chun Cheung and Luanne H H Lim also acquired and/or was awarded ordinary shares of HSBC Holdings plc under the HSBC International Employee Share Purchase Plan.

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

Management contracts

(1) A service agreement dated 2 September 2021 (as amended from time to time) was entered into with The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), a wholly-owned subsidiary of HSBC Holdings plc, provided complex pricing, collateral and derivative management, fund administration and other services to the Company in return for a fee. Furthermore, an investment management agreement dated 22 May 2023 was entered into between the Company and HBAP to provide foreign exchange hedging solution, in return for a fee based on bid-ask spread of each transaction.

(2) A management services agreement dated 21 June 2022 was entered into with HSBC Life (International) Limited ("INHK"), an indirect wholly-owned subsidiary of HSBC Holdings plc, for a term of three years, pursuant to which INHK, directly or through one or more of its affiliates, provided certain management services to the Company in return for a fee. On 21 May 2024, the agreement was amended to remove part of the management services. On 21 June 2025, the agreement was further signed for renewal in June 2025 and agreed for subsequent removal for part of the management services in September 2025.

(3) The following agreements were in place with HSBC Alternative Investments Limited ("HAIL"), another indirect wholly-owned subsidiary of HSBC Holdings plc in respect of collective investment schemes, during the year:

(i) An investment management agreement dated 21 June 2016 was entered into between the Company and HAIL for a term of 11 years, pursuant to which HAIL acts as investment manager in respect of certain private equity fund investments made by HAIL on behalf of the Company in return for a fee. On 21 June 2019, the aforesaid private equity investment agreement was amended to remove retainer fee and to revise the annual fee cap for maximum amount payable.

(ii) HAIL has been delegated to manage part of assets of the Company by way of a bespoke portfolio in accordance with a specific management mandate entered into between the Company, HSBC Global Asset Management (Hong Kong) Limited ("AMHK"), an indirect wholly-owned subsidiary of HSBC Holdings plc, and HAIL on 21 June 2025. A discretionary mandate for alternative credit investments allocation and management services is also entered between the Company, AMHK and HAIL on 22 June 2025. Both agreements have the expiry date of 31 December 2026.

(iii) A fund monitoring agreement dated 21 June 2025 was entered into between the Company and HAIL with the expiry date of 31 December 2026, pursuant to which HAIL would provide fund monitoring and reporting services for certain private equity investments made by the Company in return for a fee.

(iv) An investment management agreement dated 27 March 2023 was entered into between the Company, AMHK and HAIL for a term of 3 years, pursuant to which HAIL acts as investment manager in respect of a private equity fund investment called "HSBC Vision Private Equity Programme" made by HAIL on behalf of the Company in return for a fee.

(v) An investment advisory agreement dated 1 January 2025 was entered into between the Company and HAIL for a term of 3 years, pursuant to which HAIL acts as investment advisor in respect of providing due diligence service on private asset investments and deal execution on behalf of the Company in return for a fee.

Management contracts (continued)

(4) An investment management agreement dated 22 June 2025 was entered into with AMHK with the expiry date of 31 December 2026, pursuant to which AMHK would act as investment manager in respect of certain of the Company's assets held from time to time in return for a fee.

(5) An investment management agreement dated 21 September 2024 and entered into between HSBC Global Asset Management (UK) Limited ("AMEU"), an indirect wholly-owned subsidiary of HSBC Holdings plc, and AMHK, for a terms of three years, pursuant to which AMEU would act as investment manager in respect of certain of the Company's assets held from time to time in return for a fee, with AMHK to provide client servicing assistance.

(6) In 2024, to standardise the governing principles and simplify processes for both existing and future continuing connected transactions between HASE and HSBC Holdings plc (together with its subsidiaries) ("HSBC Group"), the Company entered into three master agreements with HSBC Global Asset Management Limited, HBAP and HSBC Bank Plc covering transactions of insurance related investment management and advisory services, effective from 1 January 2024 in respect of services mentioned in (3), (4) and (5) above respectively.

(7) During the year, the following agreements were effective for an indefinite period for the Company:

   (i) An agreement whereby, HASE provided certain management services to the Company in return for a fee.

   (ii) An agreement whereby Hang Seng Investment Management Limited ("HSVM"), a fellow subsidiary of the Company, provided investment management services to the Company in return for a fee. Certain amendments dated 9 May 2023 were made to update the annual management fee rate to respective asset classes.

   (iii) An arrangement whereby Hang Seng Real Estate Management Limited ("HSRE"), a fellow subsidiary of the Company, provided property management services to the Company in return for a fee.

   (iv) A management services agreement dated 1 January 2019 entered into between the Company and HSBC Global Services (Hong Kong) Limited ("HGSH"), an indirect wholly-owned subsidiary of HSBC Holdings plc, pursuant to which HGSH, directly or through one or more of its affiliates, would provide certain management services to the Company in return for a fee.

   (v) Limited partnership agreements dated 28 October 2019, 8 July 2021 and 5 October 2022 entered into between the Company, HSBC (Guernsey) GP PCC Limited ("HGGP") and HSBC Management (Guernsey) Limited ("HMGL"), indirect wholly-owned subsidiaries of HSBC Holdings plc, respectively, to carry out the operation of the Partnership and provide investment management service in respect of alternative investments.

Diana F Cesar was a director of HASE, and Luanne H H Lim and Say Pin Saw are directors of HASE. May H M Knight, Edward C L Moncreiffe and Chi Fai Yam are directors of INHK. Rannie W L Lee and Say Pin Saw are directors of HSVM. Say Pin Saw is a director of HSRE. Save as aforesaid, no director of the Company has any interest in the above-mentioned arrangements.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

Apart from the above, no transaction, arrangement or contract (that is significant in relation to the Company's business) 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, directly or indirectly, had a material interest, subsisted at the end of the year or at any time during the year.

Indemnity of directors

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the year.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Winnie S W Ching
Director
Hong Kong, 13 February 2026

羅兵咸永道

Independent Auditor's Report

To the Members of Hang Seng Insurance Company Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Hang Seng Insurance Company Limited (the "Company") standing alone, which are set out on pages 10 to 98, comprise:

- the balance sheet as at 31 December 2025;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

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Independence

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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include 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.

Responsibilities of Directors and the Audit Committee for the Financial Statements of the Company Standing Alone

The directors are responsible for the preparation of the financial statements that give a true and fair view[3] in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements of the Company Standing Alone

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is, Christopher John Hewison (practising certificate number: P06145)

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 February 2026

Income statement
for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	*2025* $'000	*2024* $'000
Insurance revenue		4,114,749	3,299,931
Insurance service expenses		(1,297,505)	(1,020,779)
Net income from reinsurance contracts held		82,917	104,304
Insurance service results	5	2,900,161	2,383,456
Interest income from financial assets not measured at FVPL		385,439	351,682
Net gain from financial assets measured at FVPL		17,719,259	6,026,161
Net gain on derecognition of financial assets not measured at FVPL		163	-
Movement in investment contract liabilities	7	(20,801)	(9,354)
Change in expected credit losses	16(b)	(3,667)	824
Finance costs	19(c)	(53,864)	(116,151)
Other net investment income		100,697	107,470
Loss on property revaluation	13(a)	(192,000)	(201,000)
Net investment income	6	17,935,226	6,159,632
Net finance expenses from insurance contracts	6	(18,052,431)	(5,558,717)
Net finance income from reinsurance contracts held	6	974,699	231,882
Net insurance finance expenses		(17,077,732)	(5,326,835)
Net investment results	6	857,494	832,797
Net insurance service and investment results		3,757,655	3,216,253
Fee income		1,352	1,436
Other operating income		5,415	351
Other operating expenses	8	(361,734)	(389,040)
Profit before tax		3,402,688	2,829,000
Tax expense	9	(464,156)	(417,246)
Profit for the year attributable to shareholders		2,938,532	2,411,754

The Notes on pages 15 to 98 form part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	*2025* $'000	*2024* *$'000*
Profit for the year		2,938,532	2,411,754
Other comprehensive income for the year (net of tax)			
Items that are or may be reclassified subsequently to profit or loss:			
Debt securities measured at fair value through other comprehensive income			
- Fair value gains/(losses) taken to equity	6	22,143	(356)
- Change in expected credit losses recognised in income statement		19	2
- Deferred tax	15(b)	(3,657)	58
Total comprehensive income for the year attributable to shareholders		2,957,037	2,411,458

Other comprehensive income for the year 2025 included HK$163,000 (2024: HK$138) in relation to a reclassification adjustment to transfer fair value reserve to profit or loss upon derecognition of debt securities measured at fair value.

The Notes on pages 15 to 98 form part of these financial statements.

Balance sheet as at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	*31 December 2025* $'000	*31 December 2024* $'000
Assets			
Goodwill	11	1,447,006	1,447,006
Investment in a subsidiary	12	2,581,540	2,585,192
Investment property	13	1,577,000	1,769,000
Insurance contract assets	14	8,582	2,829
Reinsurance contract assets	14	13,418,949	12,867,096
Deferred tax assets	15(b)	4,141,874	2,720,553
Investment assets	16(a)	207,305,201	173,269,930
Other assets	17	1,998,670	1,735,459
Placings with and advances to banks and other financial institutions	18	11,748,204	6,684,363
Cash and deposit balances	19	1,633,992	3,265,604
Total assets		245,861,018	206,347,032
Liabilities			
Insurance contract liabilities	14	228,144,051	188,444,854
Reinsurance contract liabilities	14	1,100,519	1,001,603
Liabilities under investment contracts	20	220,149	244,901
Subordinated loan	21	1,045,000	1,045,000
Investment liabilities	16(a)	215,274	160,224
Other liabilities	22	2,667,931	2,989,728
Current tax liabilities	15(a)	683,263	1,246,821
Total liabilities		234,076,187	195,133,131
Net assets		11,784,831	11,213,901
Capital and reserves			
Share capital	23(a)	6,426,185	6,426,185
Reserves	23(b)	5,358,646	4,787,716
Total equity		11,784,831	11,213,901

Approved and authorised for issue by the Board of Directors on 13 February 2026.

Winnie S W Ching	)	Directors
Say Pin Saw	)	

The Notes on pages 15 to 98 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				
	Share capital $'000 *(Note 23(a))*	*General reserve* $'000 *(Note 23(b)(i))*	*Fair value reserve* $'000 *(Note 23(b)(ii))*	*Retained profits* $'000	*Total* $'000
Balance at 1 January 2025	6,426,185	380,847	(24)	4,406,893	11,213,901
Changes in equity for 2025:					
Profit for the year	-	-	-	2,938,532	2,938,532
Other comprehensive income (net of tax):					
Debt securities measured at FVOCI	-	-	18,505	-	18,505
Total comprehensive income for the year	-	-	18,505	2,938,532	2,957,037
Dividend paid (Note 23(d))	-	-	-	(2,386,107)	(2,386,107)
Balance at 31 December 2025	6,426,185	380,847	18,481	4,959,318	11,784,831
Balance at 1 January 2024	6,426,185	380,847	272	4,025,171	10,832,475
Changes in equity for 2024:					
Profit for the year	-	-	-	2,411,754	2,411,754
Other comprehensive loss (net of tax):					
Debt securities measured at FVOCI	-	-	(296)	-	(296)
Total comprehensive (loss)/income	-	-	(296)	2,411,754	2,411,458
Dividend paid (Note 23(d))	-	-	-	(2,030,032)	(2,030,032)
Balance at 31 December 2024	6,426,185	380,847	(24)	4,406,893	11,213,901

The Notes on pages 15 to 98 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 $'000	2024 $'000
Operating activities			
Net cash generated from operating activities	19(b)	1,752,470	8,484,324
Investing activities			
Purchase of investments		(3,683,868)	(1,188,418)
Proceeds from sales or redemption of investments		2,498,389	1,975,118
Interest received		234,602	188,448
Net cash (used in)/generated from investing activities		(950,877)	975,148
Financing activities			
Dividend paid	23(d)	(2,386,107)	(2,030,032)
Proceeds from issue of repurchase agreements	19(c)	-	3,701,787
Repayment of repurchase agreements	19(c)	-	(5,735,346)
Interest paid on subordinated loan and repurchase agreements	19(c)	(60,953)	(162,798)
Net cash used in from financing activities		(2,447,060)	(4,226,389)
Net (decrease)/increase in cash and cash equivalents		(1,645,467)	5,233,083
Cash and cash equivalents at 1 January		15,030,291	9,797,208
Cash and cash equivalents at 31 December	19(a)	13,384,824	15,030,291

The Notes on pages 15 to 98 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance ("HKCO"). A summary of the material accounting policies adopted by Hang Seng Insurance Company Limited ("the Company") is set out below.

(b) Basis of preparation of the financial statements

For the purposes of compliance with sections 379 and 380 of the HKCO, the financial statements of Hang Seng Insurance Company Limited have been prepared to present a true and fair view of the financial position and financial performance of the Company only.

The Company is exempted from preparing the consolidated financial statements as:

(i) The Company is a wholly owned subsidiary of Hang Seng Bank Limited and has satisfied the exemption requirement sets out in section 379(3)(a) of the HKCO and therefore it is not required to prepare consolidated financial statements.

(ii) Hang Seng Bank Limited's principal place of business and country of incorporation is in Hong Kong and has produced consolidated financial statements in accordance with HKFRS Accounting Standards available for public use. The consolidated financial statements of Hang Seng Bank Limited are obtainable on the Company's website www.hangseng.com.

(iii) The Company's debt or equity instruments are not traded in a public market.

(iv) The Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisations for the purpose of issuing any class of instruments in a public market.

1 Material accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Unless otherwise indicated, the financial statements are presented in Hong Kong dollars, rounded to the nearest thousand.

For the purpose of preparation of financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

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

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

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in next year are discussed in Note 3.

Certain comparative figures in the financial statements have been reclassified to conform with current year's presentation.

(c) A subsidiary

A subsidiary is a company in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. A subsidiary is considered to be controlled when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investment in a subsidiary is stated at cost less accumulated impairment allowance (see Note 1(q)(ii)). Loan to a subsidiary is stated at amortised cost using the effective interest rate method less accumulated impairment allowance (see Note 1(q)(i)).

1 Material accounting policies (continued)

(d) Insurance and reinsurance contracts held

A contract is classified as an insurance contract where the Company accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant.

(i) Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into (i) contracts that are onerous at initial recognition, (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and (iii) the remaining contracts. These profitability groups are then divided by issue date, with contracts the Company issues being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the Company considers its groups of contracts as being denominated in a single currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the contractual service margin ("CSM") representing unearned profit. The Company has elected to update the estimates used in the measurement on a year-to-date basis.

(ii) Fulfilment cash flows

The fulfilment cash flows comprise the followings:

(1) Best estimates of future cash flows

These cash flows within the contract boundary of each contract in the Company include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Company's demographic and operating experience along with external mortality data where the Company's own experience data is not sufficiently large in size to be credible.

(2) Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks to derive an expected present value. The Company generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

1 Material accounting policies (continued)

(d) Insurance and reinsurance contracts held (continued)

(ii) Fulfilment cash flows (continued)

(2) Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows (continued)

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The Risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

(3) Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level stress over one year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

The 75th percentile is estimated to be equivalent to 59th percentile (2024: 59th percentile) for the Company, determined on the basis of an ultimate view over the whole duration of the of the contract.

The Company does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in insurance service result.

(iii) Measurement models

Variable fee approach ("VFA") measurement model is mandatory upon meeting the following eligibility criteria at inception:

(1) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

(2) the Company expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The Company considers that a substantial share is a majority of returns; and

(3) the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Company considers that a substantial proportion is a majority proportion of change on a present value probability weight average of all scenarios.

1 Material accounting policies (continued)

(d) Insurance and reinsurance contracts held (continued)

(iii) Measurement models (continued)

The risk mitigation option is used for a number of economic offsets against the instruments that meet specific requirements.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ("GMM").

(iv) CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition unless a group of contracts is onerous. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the Company's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM but are recognised in profit or loss as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Company's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss. The risk mitigating instruments are primarily reinsurance contracts held.

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Company identifies the quantity of the benefits provided as follows:

- For insurance coverage - based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund or surrender value.

- For investment services (including both investment-return service and investment-related service) - based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

- For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

1 Material accounting policies (continued)

(d) Insurance and reinsurance contracts held (continued)

(v) Insurance service result

Insurance revenue reflects the consideration to which the Company expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

(vi) Net insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

(vii) Reinsurance contracts held

The Company purchased reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.

- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

- The Company recognises both net gain and net cost on purchasing reinsurance at initial recognition in the balance sheet as CSM and releases this to profit or loss as the reinsurer renders services, except for the net cost that relates to events before initial recognition.

1 Material accounting policies (continued)

(e) Investment contracts

Investment contracts are recognised as financial liabilities in the balance sheet when the Company becomes party to their contractual provisions. Contributions received from policyholders are not recognised in the income statement but are accounted for as deposits.

All investment contracts issued by the Company are designated by the Company on initial recognition for measurement at fair value through profit or loss. This designation is consistent with the documented risk management and investment strategies of the Company.

Investment contracts consist of contracts with guaranteed features (i.e. capital and minimum return guarantees), being non-linked investment contract, and contracts without guaranteed features, being the linked investment contracts. For linked investment contract, the fair value is determined based on the fair value of the assets held in the linked funds. For the non-linked investment contract, the fair value is determined based on the fair value of the assets held in the non-linked funds, plus where applicable an allowance for the future cost of guarantee. The fair value of investment contracts is the accrued policy fund balance, plus where applicable an allowance for the future cost of guarantee in the non-linked investment contracts. Changes in the fair value of investment contracts are included in the income statement in the period in which they arise.

(f) Tax expense

Tax expense 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 is the expected tax payable on the taxable profits for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

1 Material accounting policies (continued)

(f) Tax expense (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and when a legal right to offset exists in the Company.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

(g) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Hong Kong dollars which is also the Company's functional currency.

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Hong Kong dollars at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at foreign exchange rates ruling at the dates the fair value was measured.

(h) Investment property

An investment property is land and/or building which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. An investment property is stated in the balance sheet initially at cost, including related transaction costs and where applicable borrowing costs. Subsequently they are carried at fair value. Any gain or loss arising from a change in fair value is recognised in the income statement.

1 Material accounting policies (continued)

(i) Goodwill

The purchase method of accounting is used for all business acquisitions.

Goodwill arises on the portfolio transfer of business when the cost of acquisition exceeds the Company's interest in the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Goodwill arising on acquisition is initially recognised in the balance sheet as an asset and measured at cost and subsequently at cost less any accumulated impairment allowance.

Goodwill is allocated to the Company's cash-generating units. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment allowance is recognised in the income statement and this impairment allowance recognised for goodwill is not reversed in a subsequent period.

At the date of disposal of a cash-generating unit, any attributable goodwill is included in the calculation of the gain or loss on disposal.

(j) Financial instruments

Purchases and sales of financial assets are recognised on the trade date, which is when the Company commits to purchase or sell the assets. Financial assets are derecognised when contractual rights to receive cash flows from the assets expire, or where the assets, together with substantially all the risks and rewards of ownership, have been transferred. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged or cancelled or expired.

On initial recognition, a financial instrument is classified as measured at:

- fair value through profit or loss ("FVPL");
- amortised cost; or
- fair value through other comprehensive income ("FVOCI").

Financial instruments are not reclassified subsequent to their initial recognition, except in the period after the company changes its business model for managing financial instruments.

1 Material accounting policies (continued)

(j) Financial instruments (continued)

(i) Financial instruments mandatorily measured at FVPL

Financial assets that are held to support contracts within the scope of HKFRS 17 (financial assets "backing" insurance contracts) are mandatorily measured at FVPL as default and no business model assessment, or having to demonstrate either trading intent or the need to apply the fair value option is necessary. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Financial instruments measured at amortised cost

Financial assets that are not eligible for supporting insurance contracts and are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (the "SPPI") are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes the directly attributed transactions costs.

(iii) Financial instruments measured at FVOCI

Financial assets that are not eligible for supporting insurance contracts and are held for a business model that is achieved by both selling and collecting contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment allowance, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gain or loss in other comprehensive income is reclassified from equity to income statement.

(iv) Financial instruments designated at FVPL

Financial instruments designated at FVPL are financial instruments which on initial recognition are designated by the Company for measurement at FVPL.

Financial instruments so designated are recognised initially at fair value. Any attributable transaction costs are recognised in income statement as incurred. After initial recognition, the Company measures financial instruments designated at FVPL, at their fair value. Gains and losses from changes in the fair value of such instruments are recognised in the income statement as they arise.

1 Material accounting policies (continued)

(j) Financial instruments (continued)

(iv) Financial instruments designated at FVPL (continued)

The Company has designated all investment contract liabilities for measurement at FVPL. The risk management and investment strategies of these financial instruments are set by the Investment Committee and Risk Management Meeting of the Company with performance being evaluated on a fair value basis. These risk management and investment strategies are documented and approved by the Investment Committee and Risk Management Meeting of the Company.

(v) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying item such as foreign exchange rates, interest rates or other indices. Derivatives are recognised at FVPL. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(k) Other assets

Other assets are initially recognised at fair value and thereafter stated at amortised cost less accumulated impairment allowance, unless the effect of discounting would be immaterial, in which case they are stated at cost less accumulated impairment allowance.

Impairment allowance for other assets is accounted for according to Note 1(q)(ii).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, fixed 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. Cash and deposit balances, placings with and advances to banks and other financial institutions (see Note 1(m)) and treasury bills with less than three months' maturity from the date of acquisition are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

1 Material accounting policies (continued)

(m) Placings with and advances to banks and other financial institutions

Placings with and advances to banks and other financial institutions are cash at banks and deposits with banks that are held by fund managers and to be invested.

(n) Other liabilities

Other liabilities are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Subordinated loan

Subordinated loan is initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method.

(p) Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an instrument or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is the fair value of the consideration given or received). However, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial instruments and liabilities according to its net market or credit risk exposure, the Company measures the fair value of the group of financial instruments on a net basis but presents the underlying financial instruments and liabilities separately in the financial statements, unless they satisfy the HKFRS Accounting Standards offsetting criteria.

1 Material accounting policies (continued)

(q) Impairment of assets

(i) Impairment of amortised cost and FVOCI financial assets

Expected credit losses ("ECL") are recognised for debt securities measured at amortised cost and FVOCI, and other financial assets measured at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment or are considered to be in default or otherwise credit-impaired are in "stage 3".

Financial assets can be transferred between the different stages depending on their relative increase in credit risk since initial recognition.

- Measurement of ECL

  The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

  In general, the Company calculates ECL using three main components, PD, a loss given default ("LGD") and the exposure at default ("EAD").

  The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the financial assets respectively.

  The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

- Forward-looking economic forecast

  The Company applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of our view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit loss in most economic environments. In certain economic environments, additional analysis may be necessary and result in additional scenarios or adjustments, to reflect a range of possible economic outcomes for an unbiased expected credit loss estimate.

1 Material accounting policies (continued)

(q) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following types of assets may be impaired or, except in the case of goodwill, an impairment allowance previously recognised no longer exists or may have decreased:

- goodwill; and
- investment in a subsidiary.

If any such indication exists, the asset's recoverable amount is estimated and an impairment allowance is recognised. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication for impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment allowance

  An impairment allowance is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment allowance recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversal of impairment allowance

  In respect of assets other than goodwill, an impairment allowance is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment allowance in respect of goodwill is not reversed.

  A reversal of an impairment allowance is limited to the asset's carrying amount that would have been determined had no impairment allowance been recognised in prior years. Reversals of impairment allowance is credited to the income statement in the year in which the reversals are recognised.

1 Material accounting policies (continued)

(r) Related parties

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

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

(2) has significant influence over the Company; or

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

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

(1) 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).

(2) 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).

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

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

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

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

(7) A person identified in (i)(1) 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).

(8) 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 Impacts of new standards and amendments to HKFRS Accounting Standards

The HKICPA has issued a number of new standards and amendments to HKFRS Accounting Standards that are first effective for the current accounting period of the Company. None of these developments is relevant to the Company's financial statements.

The Company has not applied any new and amended standards or interpretations issued that are not yet effective for the current accounting period (see Note 27).

3 Significant judgements and estimates

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The material accounting policies are described in Note 1 to the financial statements. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgement involved, including the use of assumptions and estimation, are discussed below.

(a) Insurance contracts

(i) Determination of the fair value of insurance contract liabilities

Under the Fair Value Approach ("FVA") required by HKFRS 17, the valuation of insurance liabilities on transition is based on the requirements of HKFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts, including required profit, and the future cash flows committed to under the contract (the fulfilment cash flows - determined using HKFRS 17 principles).

There is judgement involved in determining an appropriate fair value, as there is a lack of observable data for actual transactions for closed book insurance businesses and a range of possible modelling approaches. In determining the fair value, the Company considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the HKFRS 13 calculation. The approach for setting these included the following:

(1) The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of 'matching' between the Company's assets and related liabilities, utilising local regulatory frameworks.

3 Significant judgements and estimates (continued)

(a) Insurance contracts (continued)

(i) Determination of the fair value of insurance contract liabilities (continued)

(2) A profit margin was determined considering the level of capital that a market participant would be required to hold under the local regulatory framework, and the associated cost of capital.

(ii) Coverage units

The Company's approach to the determination of coverage units is set out in 'Material accounting policies' in Note 1(d). Significant judgement was involved in the determination of the approach that most faithfully represents the nature of our business and the benefits that are ascribed to the policyholder over the duration of insurance contracts, as the standard does not specify a required basis for determination of coverage units. This judgement is most significant for investment services, which constitute the most material element of service for most of our contracts. The Company determined that the coverage unit basis that best reflects the provision of investment services is the availability of the facility over time. The quantity of benefit selected is therefore a constant measure.

(iii) Discount rates

The Company has elected to apply a bottom-up approach whereby the discount rate is derived using the risk-free rate adjusted for an illiquidity premium as set out in the Material accounting policies in Note 1(d) Insurance and reinsurance contracts held. The blended average of discount rates used within the Company are as follows:

	At 31 December 2025		**At 31 December 2024**	
	HKD	**USD**	**HKD**	**USD**
rate 10Y (%)	3.85	4.82	4.43	5.25
rate 20Y (%)	4.20	5.59	4.53	5.60

(iv) Expenses

HKFRS 17 requires the determination of whether cash flows are directly attributable to the acquisition or fulfilment of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads cash flows directly attributable to the fulfilment of insurance contracts. Judgement is involved during time study assessments in identifying and allocating costs.

3 Significant judgements and estimates (continued)

(b) Impairment of goodwill

The Company reviews goodwill at the balance sheet date to assess whether an impairment loss should be recorded in the income statement. The assessment is done by comparing the Company's appraisal value (which is its value in use) and carrying value of its net assets. Assumptions have been applied which are set out in Note 11 in determining the Company's appraisal value and these are reassessed at each reporting date and changes in estimates which affect the impairment test would be reflected in the income statement should there be any impairment.

(c) Fair value of investment property

The fair value of investment property is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 13.

(d) Long-term investment contract liabilities

The Company makes estimates of the fair value of investment guarantees provided in non-linked investment contracts. A best estimate liability plus an allowance for the cost of holding regulatory capital is used to determine the fair value of the guarantee features of these contracts.

(e) Valuation of financial instruments

The best evidence of fair value is a quoted price in an actively traded principal market. In the event that the market for a financial instrument is not active, and the valuation technique uses only observable market data, the reliability of the fair value measurement is high. However, when valuation techniques include one or more significant unobservable inputs, they rely to a greater extent on management judgement and the fair value derived becomes less reliable. In absence of observable valuation inputs, due to a lack of or reduced volume of similar transactions, management judgement is required to assess the price at which an arm's length transaction would occur under normal business conditions, in which case management may rely on historical prices for that particular financial instrument or on recent prices for similar instruments.

The main assumptions and estimates which the Company considers when applying a model with valuation techniques are:

- the likelihood and expected timing of future cash flows on the instrument. Judgement may be required to assess the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;

- selecting appropriate discount rate for the instrument. Judgement is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate; and

- judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivatives.

3 Significant judgements and estimates (continued)

(e) Valuation of financial instruments (continued)

When applying a model with observable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on observable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

(f) Impairment of amortised cost and FVOCI financial assets

The Company recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in Note 16.

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

- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

4 Risk management

(a) Overview

The majority of the risk in the insurance business derives from manufacturing activities and can be categorised as insurance underwriting risk and financial risk. Insurance underwriting risk is the risk that, over time, the cost of insurance policies written, including claims and benefits, may exceed the total amount of premiums and investment income received. Financial risk includes the risk of not being able to match liabilities arising under insurance contracts with appropriate investments and that the expected sharing of financial performance with policyholders under certain contracts is not possible, exposure of which arises from market risk, credit risk and liquidity risk.

(b) Governance and structure

Risks are managed to a defined risk appetite, which is aligned to the Company's risk appetite and risk management framework including the Company's "Three Lines of Defence" model. The Company's Risk Management Meeting oversees the control framework. The monitoring of the risks within the insurance business is carried out by the Insurance Risk Team. The Company's risk stewardship sub-functions support the Insurance Risk Team in their respective areas of expertise.

4 Risk management (continued)

(b) Governance and structure (continued)

In addition, the Company performs annually an Own Risk and Solvency Assessment ("ORSA") to assess its risk profile, the adequacy of its risk management and also its current, and likely future, solvency and liquidity positions according to local regulation.

(c) Stress and scenario testing

Stress testing forms a key part of the risk management framework for the insurance business. The Company participates in regulatory stress tests, as well as internally developed stress and scenario tests. The results of these stress tests and the adequacy of management action plans to mitigate these risks are considered in the Company's regulatory ORSA as required under Hong Kong Risk-Based Capital ("HKRBC") Regime.

(d) Key risk management processes

(i) Market risk

Market risk is the risk of changes in market factors affecting Company's capital or profit. Market factors include interest rates, equity and growth assets, credit spreads and foreign exchange rates.

Exposure of the Company varies depending on the type of contract issued. Most significant life insurance products of the Company are contracts with Discretionary Participation Feature ("DPF") issued in Hong Kong. These products typically include some form of capital guarantee or guaranteed return, on the sums invested by the policyholders, to which bonuses are added if allowed by the overall performance of the funds. For contracts without DPF, some form of guarantee may still exist but the Company's ability to share risks with policyholders will be reduced. These funds are primarily invested in fixed income assets with a proportion allocated to other asset classes, to provide customers with the potential for enhanced returns. Contracts with DPF are further classified into Life direct participating contracts and Life other contracts under HKFRS 17.

These products expose the Company to the risk of variation in asset returns, which will impact the Company's participation in the investment performance. In addition, in some scenarios the asset returns can become insufficient to cover the policyholders' financial guarantees, in which case the shortfall has to be met by the Company.

For unit-linked contracts, market risk is substantially borne by the policyholders, but some market risk exposure typically remains as fees earned are related to the market value of the linked assets.

4 Risk management (continued)

(d) Key risk management processes (continued)

(i) Market risk (continued)

The Company has market risk mandates which specify the investment instruments in which the Company is permitted to invest and the maximum quantum of market risk which the Company may retain. The Company manages market risk by using, among others, some or all of the techniques listed below, depending on the nature of the contracts written:

- for products with DPF, adjusting bonus rates to manage the liabilities to policyholders and the effect is that a significant portion of the market risk is borne by the policyholders;

- asset and liability matching where asset portfolios are structured to support projected liability cash flows;

- using derivatives and other financial instruments to protect against adverse market movements; and

- designing new products to mitigate market risk, such as changing the investment return sharing portion between policyholders and the shareholder.

(ii) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet their obligation under a contract, which arises in two main areas:

- risk associated with credit spread volatility and default by counterparties of debt securities after investing premiums to generate a return for policyholders and shareholder; and

- risk of default by reinsurance counterparties and non-reimbursement for claims made after ceding insurance risk.

The Company has credit risk mandates and limits within which it is permitted to operate, which consider the credit risk exposure quality and performance of its investment portfolios. Assessment of the creditworthiness of issuers and counterparties is based primarily upon internationally recognised credit ratings and other publicly available information. Stress testing is performed on the investment credit exposures using credit spread sensitivities and default probabilities.

The Company uses tools to manage and monitor credit risk. These include a credit report which contains a watch-list of investments with current credit concerns to identify investments which may be at risk of future impairment or where high concentrations to counterparties are present in the investment portfolio. Sensitivities to credit spread risk are assessed and monitored regularly.

Credit risk on assets supporting unit-linked liabilities is predominantly borne by the policyholders; therefore exposure is primarily related to liabilities under non-linked insurance and investment contracts and shareholder's funds.

The credit quality of reinsurance contract assets and financial assets are included in the table in Note 14 and 16(b)(vi) respectively. The risk associated with credit spread volatility is to a larger extent mitigated by holding debt securities to maturity, and sharing a degree of credit spread exposures with policyholders.

4 Risk management (continued)

(d) Key risk management processes (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure them only at excessive cost. Liquidity risk may be able to be shared with policyholders for products with DPF.

Liquidity risk is managed by cashflow matching and maintaining sufficient cash resources; investing in high-credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate and establishing committed contingency borrowing facilities and conducting stress testing to understand the impact on liquidity in the event of a mass lapse.

The Company completes quarterly liquidity risk reports and an annual review of the liquidity risks in which it is exposed.

(iv) Insurance underwriting risk

Insurance underwriting risk is the risk of loss through adverse experience, in either timing or amount, of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapses and expense rates. The principal risk the Company faces is that, over time, the cost of the contract, including claims and benefits may exceed the total amount of premiums and investment income received.

The Company primarily uses the following framework and processes to manage and mitigate insurance underwriting risk:

- a formal approval process for launching new products or making changes to products;
- a product pricing and profitability framework, which requires initial and ongoing assessment of the adequacy of premiums charged on new insurance contracts to meet the risks associated with them;
- a framework for customer underwriting;
- reinsurance, which cedes risks to third-party reinsurer to keep risks within risk appetite, reduce volatility and improve capital efficiency; and
- oversight of the methodology and assumptions that underpin HKFRS 17 reporting by the Company's Actuarial Review Committee.

5 Insurance service results

	2025			2024		
	Life direct participating Contracts (Note i)	*Life other Contracts (Note ii, iii)*	*Total*	*Life direct participating Contracts (Note i)*	*Life other Contracts (Note ii, iii)*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Contracts issued						
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage						
- CSM recognised for services provided	2,398,819	148,012	2,546,831	1,935,463	154,424	2,089,887
- Change in risk adjustment for non-financial risk for risk expired	43,899	3,678	47,577	37,402	2,386	39,788
- Expected incurred claims and other insurance service expenses	856,268	37,269	893,537	688,787	57,541	746,328
Recovery of insurance acquisition cash flows	583,273	43,531	626,804	387,365	36,563	423,928
Total insurance revenue for contracts issued	3,882,259	232,490	4,114,749	3,049,017	250,914	3,299,931
Insurance service expenses						
Incurred claims and other insurance service expenses	(594,432)	(37,095)	(631,527)	(480,156)	(74,605)	(554,761)
Losses and reversal of losses on onerous insurance contracts	832	(20,060)	(19,228)	(2,423)	(25,076)	(27,499)
Amortisation of insurance acquisition cash flows	(583,273)	(43,531)	(626,804)	(387,365)	(36,563)	(423,928)
Adjustments to liabilities for incurred claims	(19,218)	(728)	(19,946)	(14,422)	(169)	(14,591)
Total insurance service expenses for contracts issued	(1,196,091)	(101,414)	(1,297,505)	(884,366)	(136,413)	(1,020,779)
Insurance service results before reinsurance contracts held	2,686,168	131,076	2,817,244	2,164,651	114,501	2,279,152
Reinsurance contracts held						
Expenses from reinsurance contracts held, excluding the effect of changes in non-performance risk of reinsurers - Allocation of reinsurance premiums	-	(15,181)	(15,181)	-	(21,853)	(21,853)
Income from reinsurance contracts held, excluding the effect of changes in non-performance risk of reinsurers - Amounts recoverable from reinsurers for incurred claims	-	97,348	97,348	-	125,997	125,997
Income from reinsurance contracts held, excluding the effect of changes in non-performance risk of reinsurers	-	82,167	82,167	-	104,144	104,144
Effect of changes in non-performance risk of reinsurers	-	750	750	-	160	160
Net income from reinsurance contracts held	-	82,917	82,917	-	104,304	104,304
Insurance service results	2,686,168	213,993	2,900,161	2,164,651	218,805	2,383,456

Note: (i) Life direct participating contracts are measured under the variable fee approach measurement model.
(ii) Life other contracts are measured under the general measurement model.
(iii) Life other contracts mainly include protection insurance contracts as well as reinsurance contracts held. The reinsurance contracts held primarily provide diversification benefits over the life participating contracts.

6 Net investment results

	2025				2024			
	Life direct participating contracts	*Life other contracts*	*Others (Note)*	*Total*	*Life direct participating contracts*	*Life other contracts*	*Others (Note)*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net investment income/(expenses)								
Amounts recognised in profit or loss	16,839,410	649,977	445,839	17,935,226	5,575,864	289,197	294,571	6,159,632
Amounts recognised in OCI	-	-	22,143	22,143	-	-	(356)	(356)
Total investment return	16,839,410	649,977	467,982	17,957,369	5,575,864	289,197	294,215	6,159,276
Net finance (expenses)/income from insurance contracts								
Changes in fair value of underlying items of direct participating contracts	(16,839,410)	-	-	(16,839,410)	(5,575,864)	-	-	(5,575,864)
Effect of risk mitigation option	(623,399)	-	-	(623,399)	283,350	-	-	283,350
Interest accreted	-	(352,810)	-	(352,810)	-	(378,663)	-	(378,663)
Effect of changes in interest rates and other financial assumptions	-	(229,941)	-	(229,941)	-	140,286	-	140,286
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	-	(6,871)	-	(6,871)	-	(27,826)	-	(27,826)
Total net finance expenses from insurance contracts	(17,462,809)	(589,622)	-	(18,052,431)	(5,292,514)	(266,203)	-	(5,558,717)
Represented by:								
Amounts recognised in profit or loss	*(17,462,809)*	*(589,622)*	-	*(18,052,431)*	*(5,292,514)*	*(266,203)*	-	*(5,558,717)*
Amounts recognised in OCI	-	-	-	-	-	-	-	-
Total net finance income from reinsurance contracts held	-	974,699	-	974,699	-	231,882	-	231,882
Represented by:								
Amounts recognised in profit or loss	-	*974,699*	-	*974,699*	-	*231,882*	-	*231,882*
Amounts recognised in OCI	-	-	-	-	-	-	-	-
Total net investment results	(623,399)	1,035,054	467,982	879,637	283,350	254,876	294,215	832,441
Represented by:								
Amounts recognised in profit or loss	*(623,399)*	*1,035,054*	*445,839*	*857,494*	*283,350*	*254,876*	*294,571*	*832,797*
Amounts recognised in OCI	-	-	*22,143*	*22,143*	-	-	*(356)*	*(356)*

Note: Others include net investment income recognised for investment contracts written for retirement benefit business, solvency margin fund and shareholders' fund.

7 Movement in investment contract liabilities

The Company keeps linked investments separate from other investments and invests them separately in accordance with the requests of the policyholders.

Deficit arisen from linked investment contracts amounting to HK$10,730,000 (2024: HK$8,017,000) are accrued to the contract holders at the fair value of the net losses arising from the underlying linked assets.

Deficit of guaranteed investment contracts amounting to HK$10,071,000 (2024: HK$1,337,000) are accrued to the contract holders based on the policy terms.

8 Other operating expenses

	2025	*2024*
	$'000	$'000
Salaries and other staff costs	199,446	190,698
Auditors' remuneration		
- Statutory audit	9,272	8,639
- Non-statutory audit services and others	4,917	5,405
Others	661,947	624,870
Operating expenses	875,582	829,612
Less: cost directly attributable to insurance business	513,848	440,572
	361,734	389,040

9 Tax expense

(a) *Tax expense in income* statement *represents:*

	Note	*2025*	*2024*
		$'000	$'000
Current tax - Hong Kong profits tax			
Provision for the year	15(a)	1,386,616	1,150,215
Provision for transitional tax adjustment	15(a)	361,453	361,453
Under-provision in respect of prior year	15(a)	141,065	18,565
		1,889,134	1,530,233
Deferred tax			
Origination and reversal of temporary differences	15(b)	(1,256,060)	(1,088,697)
Under-provision for prior years	15(b)	(168,918)	(24,290)
		(1,424,978)	(1,112,987)
Tax expense		464,156	417,246

The provision for Hong Kong profits tax is calculated at 16.5% for 31 December 2025 (2024:16.5%).

On 28 May 2025, the bill for the implementation of the Global Anti-Base Erosion Rules and the Hong Kong Minimum Top-up Tax ('HKMTT') was passed by the Hong Kong Legislative Council. HKMTT has taken effect for a fiscal year beginning on or after 1 January 2025. Under these rules, no top-up tax liability is expected to arise since the effective tax rate of the HSBC Group's operations in Hong Kong is expected to be higher than 15%.

9 Tax expense (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025	*2024*
	$'000	$'000
Profit before tax	3,402,688	2,829,000
Notional tax on profit before tax, calculated at Hong Kong tax rate of 16.5% (2024: 16.5%)	561,444	466,785
Over-provision in respect of prior year	(27,853)	(5,725)
Tax effect of non-taxable income and non-deductible expenses	(69,435)	(43,814)
Actual tax expense	464,156	417,246

10 Directors' remuneration

Benefits and interests of directors (disclosures required by section 383(1) of the HKCO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation) (CAP 622G) are as follows:

	2025	*2024*
	$'000	$'000
Fees	1,129	1,071
Other emoluments	1,662	2,619
	2,791	3,690

11 Goodwill

	2025	*2024*
	$'000	$'000
Cost:		
At 1 January and 31 December	1,447,006	1,447,006
Accumulated impairment loss:		
At 1 January and 31 December	-	-
Carrying amount:		
At 31 December	1,447,006	1,447,006

11 Goodwill (continued)

The goodwill arose on the transfer of an insurance business from the acquiree when the acquisition cost exceeded the fair value of the Company's share of the net identifiable assets, liabilities and contingent liabilities. The goodwill was attributable to the value arising from new business to be generated by the Company, taking into account the future market condition as well as the value that the immediate holding company will act as the Company's agent and hence the value arising from distributing through its immediate holding company, in terms of its network, its company brand name, customer base and sales force. These items are inter-related and could not be recognised separately, thus the goodwill was allocated to the Company (which included the acquired business) as a whole.

Impairment test for the goodwill

Goodwill is assessed for impairment by comparing the Company's appraisal value (which is deemed to be its value in use) and carrying value of its net assets.

The appraisal value comprises the Company's net assets (other than goodwill), the expected value of current business and the expected value of future business.

For the purposes of the impairment test, only a part of the appraisal value was calculated which was determined by discounting future earnings expected from the current business, taking into account factors such as future mortality and morbidity, lapse rates, levels of expenses, risk free rate and risk discount rate that reflects the investment risk and operational risk attributable to the respective long-term insurance business uncertainty in future investment return different economic scenarios.

The following are the key assumptions used in the computation:

	2025	*2024*
Risk free rate	3.80% for HKD; 3.80% for USD	3.80% for HKD; 3.80% for USD
Discount rate	4.51%	4.61%
Tax rate	16.5%	16.5%
Expense inflation	3.0%	3.0%
Lapse rate	2.19% for first year 2.89% for second year onward	2.38% for first year 3.29% for second year onward

Mortality and morbidity are made references to pricing assumptions considering recent historical, current and expected future experience.

As the sum of net assets of the Company (other than goodwill) and the above estimated amount is larger than the carrying value of net assets of the Company as at 31 December 2025 and 2024, no impairment is required for goodwill.

12 Investment in a subsidiary

	2025 $'000	*2024* $'000
Unlisted shares, at cost	2,699,500	2,699,500
Less: Return of capital acquired	(424,504)	(424,504)
	2,274,996	2,274,996
Loan to a subsidiary	306,544	310,196
	2,581,540	2,585,192

(a) Details of the subsidiary are as follows:

Name of Company	*Place of incorporation and kind of legal entity*	*Particulars of issued and paid up capital*	*Percentage of ownership of shares held directly*	*Principal activities*
Imenson Limited	Hong Kong limited liability company	69,950,002 ordinary shares	100%	Investment holding

(b) Loan to a subsidiary

Nominal value	*Description*	*2025* $'000	*2024* $'000
HK$300 million	Floating rate loan due 20 May 2028	306,544	310,196
Representing:			
- measured at amortised cost		306,544	310,196

i Interest rate at three-month HK dollar HIBOR plus 125bps per annum, payable annually, to the due date. There are 4 interest rate fixing dates within each interest period, i.e. interest rate is recalculated on a quarterly basis.

ii The loan is secured by mortgage over an investment property held by a subsidiary with a carrying value of HK$238,000,000 (2024: HK$238,600,000).

13 Investment property

(a) Movement of investment property

	2025	*2024*
	$'000	$'000
Valuation:		
At 1 January	1,769,000	1,970,000
Changes in fair value recognised in the income statement	(192,000)	(201,000)
At 31 December	1,577,000	1,769,000

(b) Fair value measurement of property

(i) Fair value hierarchy

The following table presents the fair value of the Company's property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2025	*Fair value measurements as at 31 December 2025 categorised into*		
		Level 1	*Level 2*	*Level 3*
	$'000	$'000	$'000	$'000
Recurring fair value measurements				
Investment property	1,577,000	-	-	1,577,000

13 Investment property (continued)

(b) Fair value measurement of property (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2024	*Fair value measurements as at 31 December 2024 categorised into*		
		Level 1	*Level 2*	*Level 3*
	$'000	$'000	$'000	$'000
Recurring fair value measurements				
Investment property	1,769,000	-	-	1,769,000

During 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Any transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter.

The property is situated on leasehold land under a medium-term lease in Hong Kong. The property was revalued by Cushman & Wakefield Limited, an independent professional valuer, at 31 December 2025 and 2024. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors in accordance with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors.

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	*Unobservable input(s)*	*Data*
Investment property	Income Approach	Market yield (reversionary yield)	3.4% (2024: 3.0%)
		Market rentals	HK$26.3 to HK$27.4 per sq. ft. (2024: HK$26.4 to HK$27.5 per sq. ft.)
	Market Approach	Premium/(discount) on characteristic of the properties	-10% to +20% (2024: -6% to +15%)

The fair value of investment property is mainly determined using Income Approach on the basis of capitalisation of net incomes with due allowance of outgoings and reversionary income potential, and using Market Approach assuming sale with immediate vacant procession and by making reference to comparable sales evidence. The fair value measurement is positively correlated to the market rentals but negatively correlated to the market yield.

13 Investment property (continued)

(b) Fair value measurement of property (continued)

(ii) Information about Level 3 fair value measurements (continued)

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment property, measured at fair value using a valuation technique with significant unobservable inputs:

	2025 $'000	*2024* $'000
At 1 January	1,769,000	1,970,000
Changes in fair value recognised in the income statement	(192,000)	(201,000)
At 31 December	1,577,000	1,769,000
Unrealised gains or losses recognised in profit or loss relating to those assets held at the end of the reporting period		
- Deficit on property revaluation	(192,000)	(201,000)

(c) *Investment property leased out under operating leases*

The Company leases out investment property under operating leases. The leases typically run for an initial period of 1 to 3 years (2024: 1 to 3 years), with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

The property held under operating lease meets the definition of investment property and is classified as investment property.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Company in future periods as follows:

	2025 $'000	*2024* $'000
Within 1 year	26,476	33,774
After 1 year but within 2 years	12,047	17,925
After 2 years but within 3 years	3,747	3,188
	42,270	54,887

14 Insurance and reinsurance contracts held

	2025		2024	
	Assets $'000	*Liabilities* $'000	*Assets* $'000	*Liabilities* $'000
Insurance contracts				
- Life direct participating contracts	-	217,981,012	-	178,474,978
- Life other contracts	8,582	10,163,039	2,829	9,969,876
	8,582	228,144,051	2,829	188,444,854
Reinsurance contracts held				
- Life direct participating contracts	-	-	-	-
- Life other contracts	13,418,949	1,100,519	12,867,096	1,001,603
	13,418,949	1,100,519	12,867,096	1,001,603

The credit quality of the reinsurance contract assets is assessed as 'strong' (as defined in Note 16(b)(vi)), with Nil exposure being past due or impaired (2024: strong). The maximum exposure to credit risk arising from the reinsurance contracts assets as at 31 December 2025 is HK$8,198,821,000 (2024: HK$7,425,137,000). The maximum exposure takes into account the collateral trust established in respect of the reinsurance treaty signed in 2024.

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims

(i) Insurance contracts – Life direct participating contracts

	2025				2024			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component $'000	Loss component $'000	Liabilities for incurred claims $'000	Total $'000	Excluding loss component $'000	Loss component $'000	Liabilities for incurred claims $'000	Total $'000
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	177,993,470	3,606	477,902	178,474,978	158,120,027	721	474,594	158,595,342
Net opening balance	177,993,470	3,606	477,902	178,474,978	158,120,027	721	474,594	158,595,342
Changes in the Income statement and Statement of comprehensive income								
Insurance revenue								
Contracts under the fair value approach	(1,539,212)	-	-	(1,539,212)	(1,298,467)	-	-	(1,298,467)
Other contracts (Note)	(2,343,047)	-	-	(2,343,047)	(1,750,550)	-	-	(1,750,550)
Total insurance revenue	(3,882,259)	-	-	(3,882,259)	(3,049,017)	-	-	(3,049,017)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(323)	594,755	594,432	-	(339)	480,495	480,156
Amortisation of insurance acquisition cash flows	583,273	-	-	583,273	387,365	-	-	387,365
Losses and reversal of losses on onerous contracts	-	(832)	-	(832)	-	2,423	-	2,423
Adjustments to liabilities for incurred claims	-	-	19,218	19,218	-	-	14,422	14,422
Total insurance expenses	583,273	(1,155)	613,973	1,196,091	387,365	2,084	494,917	884,366
Investment components	(10,976,236)	-	10,976,236	-	(11,459,213)	-	11,459,213	-
Insurance service results	(14,275,222)	(1,155)	11,590,209	(2,686,168)	(14,120,865)	2,084	11,954,130	(2,164,651)

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition.

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims (continued)

(i) Insurance contracts – Life direct participating contracts (continued)

	2025				*2024*			
	Liabilities for remaining coverage				*Liabilities for remaining coverage*			
	Excluding loss component $'000	*Loss component* $'000	*Liabilities for incurred claims* $'000	*Total* $'000	*Excluding loss component* $'000	*Loss component* $'000	*Liabilities for incurred claims* $'000	*Total* $'000
Net finance expenses from insurance contracts	17,462,809	-	-	17,462,809	5,292,514	-	-	5,292,514
Effect of movements in exchange rates	756,159	21	1,156	757,336	(818,944)	(11)	696	(818,259)
Total changes in the Income statement and Statement of comprehensive income	3,943,746	(1,134)	11,591,365	15,533,977	(9,647,295)	2,073	11,954,826	2,309,604
Cash flows								
Premiums received	37,649,687	-	-	37,649,687	31,020,959	-	-	31,020,959
Claims and other insurance service expenses paid, including investment components	56,367	-	(11,551,782)	(11,495,415)	73,000	-	(11,951,518)	(11,878,518)
Insurance acquisition cash flows	(2,182,215)	-	-	(2,182,215)	(1,572,409)	-	-	(1,572,409)
Total cash flows	35,523,839	-	(11,551,782)	23,972,057	29,521,550	-	(11,951,518)	17,570,032
Other	673	(673)	-	-	(812)	812	-	-
Net closing balance	217,461,728	1,799	517,485	217,981,012	177,993,470	3,606	477,902	178,474,978
Closing assets	-	-	-	-	-	-	-	-
Closing liabilities	217,461,728	1,799	517,485	217,981,012	177,993,470	3,606	477,902	178,474,978
Net closing balance	217,461,728	1,799	517,485	217,981,012	177,993,470	3,606	477,902	178,474,978

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims (continued)

(ii) Insurance contracts – Life other contracts

	2025				*2024*			
	Liabilities for remaining coverage				*Liabilities for remaining coverage*			
	Excluding loss component	*Loss component*	*Liabilities for incurred claims*	*Total*	*Excluding loss component*	*Loss component*	*Liabilities for incurred claims*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening assets	(10,602)	44	7,729	(2,829)	(20,063)	8	9,984	(10,071)
Opening liabilities	9,716,417	133,058	120,401	9,969,876	8,365,535	123,983	123,945	8,613,463
Net opening balance	9,705,815	133,102	128,130	9,967,047	8,345,472	123,991	133,929	8,603,392
Changes in the Income statement and Statement of comprehensive income								
Insurance revenue								
Contracts under the fair value approach	(161,699)	-	-	(161,699)	(169,588)	-	-	(169,588)
Other contracts (Note)	(70,791)	-	-	(70,791)	(81,326)	-	-	(81,326)
Total insurance revenue	(232,490)	-	-	(232,490)	(250,914)	-	-	(250,914)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(40,944)	78,039	37,095	-	(18,396)	93,001	74,605
Amortisation of insurance acquisition cash flows	43,531	-	-	43,531	36,563	-	-	36,563
Losses and reversal of losses on onerous contracts	-	20,060	-	20,060	-	25,076	-	25,076
Adjustments to liabilities for incurred claims	-	-	728	728	-	-	169	169
Total insurance expenses	43,531	(20,884)	78,767	101,414	36,563	6,680	93,170	136,413
Investment components	(2,823,304)	-	2,823,304	-	(1,077,211)	-	1,077,211	-
Insurance service results	(3,012,263)	(20,884)	2,902,071	(131,076)	(1,291,562)	6,680	1,170,381	(114,501)

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. These include contracts measured under the full retrospective approach at transition and contracts incepted after transition.

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims (continued)

(ii) Insurance contracts – Life other contracts (continued)

	2025				*2024*			
	Liabilities for remaining coverage				*Liabilities for remaining coverage*			
	Excluding loss component $'000	*Loss component* $'000	*Liabilities for incurred claims* $'000	*Total* $'000	*Excluding loss component* $'000	*Loss component* $'000	*Liabilities for incurred claims* $'000	*Total* $'000
Net finance expenses from insurance contracts	586,910	2,712	-	589,622	262,260	3,943	-	266,203
Effect of movements in exchange rates	33,079	757	2,882	36,718	(31,716)	(648)	(1,766)	(34,130)
Total changes in the Income statement and Statement of comprehensive income	(2,392,274)	(17,415)	2,904,953	495,264	(1,061,018)	9,975	1,168,615	117,572
Cash flows								
Premiums received	2,650,969	-	-	2,650,969	2,468,935	-	-	2,468,935
Claims and other insurance service expenses paid, including investment components	(1,312)	-	(2,911,386)	(2,912,698)	(1,624)	-	(1,174,414)	(1,176,038)
Insurance acquisition cash flows	(46,125)	-	-	(46,125)	(46,814)	-	-	(46,814)
Total cash flows	2,603,532	-	(2,911,386)	(307,854)	2,420,497	-	(1,174,414)	1,246,083
Other	34	(34)	-	-	864	(864)	-	-
Net closing balance	9,917,107	115,653	121,697	10,154,457	9,705,815	133,102	128,130	9,967,047
Closing assets	(12,025)	47	3,396	(8,582)	(10,602)	44	7,729	(2,829)
Closing liabilities	9,929,132	115,606	118,301	10,163,039	9,716,417	133,058	120,401	9,969,876
Net closing balance	9,917,107	115,653	121,697	10,154,457	9,705,815	133,102	128,130	9,967,047

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims (continued)

(iii) Reinsurance contracts held

	2025				*2024*			
	Assets for remaining coverage				*Assets for remaining coverage*			
	Excluding loss-recovery component $'000	*Loss-recovery component* $'000	*Assets for incurred claims* $'000	*Total* $'000	*Excluding loss-recovery component* $'000	*Loss-recovery component* $'000	*Assets for incurred claims* $'000	*Total* $'000
Opening assets	12,520,599	17,531	328,966	12,867,096	5,119,497	15,377	242,776	5,377,650
Opening liabilities	(1,184,977)	-	183,374	(1,001,603)	(1,307,494)	-	196,686	(1,110,808)
Net opening balance	11,335,622	17,531	512,340	11,865,493	3,812,003	15,377	439,462	4,266,842
Changes in the Income statement and Statement of comprehensive income								
Allocation of reinsurance premiums paid	(15,181)	-	-	(15,181)	(21,853)	-	-	(21,853)
Recoveries of incurred claims and other insurance service expenses	-	-	88,673	88,673	-	-	108,070	108,070
Recoveries or reversals of recoveries of losses on onerous underlying contracts	(5,170)	3,067	-	(2,103)	(4,319)	2,647	-	(1,672)
Adjustments to assets for incurred claims	-	-	10,778	10,778	-	-	19,599	19,599
Total amounts recoverable from reinsurers	(5,170)	3,067	99,451	97,348	(4,319)	2,647	127,669	125,997

14 Insurance and reinsurance contracts held (continued)

(a) Movements in carrying amounts – analysis by remaining coverage and incurred claims (continued)

(iii) Reinsurance contracts held (continued)

	2025				*2024*			
	Assets for remaining coverage				*Assets for remaining coverage*			
	Excluding loss-recovery component $'000	*Loss-recovery component* $'000	*Assets for incurred claims* $'000	*Total* $'000	*Excluding loss-recovery component* $'000	*Loss-recovery component* $'000	*Assets for incurred claims* $'000	*Total* $'000
Net finance expenses from reinsurance contracts held, excluding effect of changes in non-performance risk of reinsurers	974,699	-	-	974,699	231,882	-	-	231,882
Investment components	(1,995,359)	-	1,995,359	-	(937,347)	-	937,347	-
Effect of changes in non-performance risk of reinsurers	750	-	-	750	160	-	-	160
Effect of movements in exchange rates	87,254	676	2,859	90,789	(68,718)	(493)	(5,370)	(74,581)
Total changes in the Income statement and Statement of comprehensive income	(953,007)	3,743	2,097,669	1,148,405	(800,195)	2,154	1,059,646	261,605
Cash flows								
Premiums paid	1,345,302	-	-	1,345,302	8,323,814	-	-	8,323,814
Claims and other recoverables received, including investment components	-	-	(2,040,770)	(2,040,770)	-	-	(986,768)	(986,768)
Total cash flows	1,345,302	-	(2,040,770)	(695,468)	8,323,814	-	(986,768)	7,337,046
Net closing balance	11,727,917	21,274	569,239	12,318,430	11,335,622	17,531	512,340	11,865,493
Closing assets	12,997,555	21,274	400,120	13,418,949	12,520,599	17,531	328,966	12,867,096
Closing liabilities	(1,269,638)	-	169,119	(1,100,519)	(1,184,977)	-	183,374	(1,001,603)
Net closing balance	11,727,917	21,274	569,239	12,318,430	11,335,622	17,531	512,340	11,865,493

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued

(i) Insurance contracts – Life direct participating contracts – Contracts issued

	2025					*2024*				
			Contractual service margin					*Contractual service margin*		
	Estimates of present value of future cash flows $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000
Opening assets	-	-	-	-	-	-	-	-	-	-
Opening liabilities	153,221,624	470,130	12,671,126	12,112,098	178,474,978	138,159,165	423,033	12,659,405	7,353,739	158,595,342
Net opening balance	153,221,624	470,130	12,671,126	12,112,098	178,474,978	138,159,165	423,033	12,659,405	7,353,739	158,595,342
Changes in the Income statement and Statement of comprehensive income										
Changes that relate to current services										
CSM recognised for services provided	-	-	(1,039,838)	(1,358,981)	(2,398,819)	-	-	(963,059)	(972,404)	(1,935,463)
Change in risk adjustment for non-financial risk for risk expired	-	(43,899)	-	-	(43,899)	-	(37,402)	-	-	(37,402)
Experience adjustments	(261,836)	-	-	-	(261,836)	(208,631)	-	-	-	(208,631)
Changes that relate to future services										
Contracts initially recognised in the year	(6,148,640)	122,116	-	6,028,150	1,626	(4,429,053)	76,156	-	4,353,010	113
Changes in estimates that adjust the CSM	536,338	90,405	918,371	(1,545,114)	-	(2,444,503)	10,742	984,787	1,448,974	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(2,150)	(308)	-	-	(2,458)	2,145	165	-	-	2,310
Changes that relate to past services										
Adjustments to liabilities for incurred claims	19,218	-	-	-	19,218	14,422	-	-	-	14,422
Insurance service results	(5,857,070)	168,314	(121,467)	3,124,055	(2,686,168)	(7,065,620)	49,661	21,728	4,829,580	(2,164,651)

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued (continued)

(i) Insurance contracts – Life direct participating contracts – Contracts issued (continued)

	2025					*2024*				
			Contractual service margin					*Contractual service margin*		
	Estimates of present value of future cash flows $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000
Net finance expenses from insurance contracts	17,462,809	-	-	-	17,462,809	5,292,514	-	-	-	5,292,514
Effect of movements in exchange rates	691,572	2,336	5,362	58,066	757,336	(734,467)	(2,564)	(10,007)	(71,221)	(818,259)
Total changes in the Income statement and Statement of comprehensive income	12,297,311	170,650	(116,105)	3,182,121	15,533,977	(2,507,573)	47,097	11,721	4,758,359	2,309,604
Cash flows										
Premiums received	37,649,687	-	-	-	37,649,687	31,020,959	-	-	-	31,020,959
Claims and other insurance service expenses paid, including investment components	(11,495,415)	-	-	-	(11,495,415)	(11,878,518)	-	-	-	(11,878,518)
Insurance acquisition cash flows	(2,182,215)	-	-	-	(2,182,215)	(1,572,409)	-	-	-	(1,572,409)
Total cash flows	23,972,057	-	-	-	23,972,057	17,570,032	-	-	-	17,570,032
Other	-	-	-	-	-	-	-	-	-	-
Net closing balance	189,490,992	640,780	12,555,021	15,294,219	217,981,012	153,221,624	470,130	12,671,126	12,112,098	178,474,978
Closing assets	-	-	-	-	-	-	-	-	-	-
Closing liabilities	189,490,992	640,780	12,555,021	15,294,219	217,981,012	153,221,624	470,130	12,671,126	12,112,098	178,474,978
Net closing balance	189,490,992	640,780	12,555,021	15,294,219	217,981,012	153,221,624	470,130	12,671,126	12,112,098	178,474,978

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued (continued)

(ii) Insurance contracts – Life other contracts – Contracts issued

	2025					2024				
			Contractual service margin					Contractual service margin		
	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contracts under the fair value approach $'000	Other contracts (Note) $'000	Total $'000	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contracts under the fair value approach $'000	Other contracts (Note) $'000	Total $'000
Opening assets	(24,909)	1,888	9,205	10,987	(2,829)	(57,972)	3,215	24,498	20,188	(10,071)
Opening liabilities	8,795,186	32,307	966,341	176,042	9,969,876	7,511,068	29,316	930,314	142,765	8,613,463
Net opening balance	8,770,277	34,195	975,546	187,029	9,967,047	7,453,096	32,531	954,812	162,953	8,603,392
Changes in the Income statement and Statement of comprehensive income										
Changes that relate to current services										
CSM recognised for services provided	-	-	(114,463)	(33,549)	(148,012)	-	-	(121,741)	(32,683)	(154,424)
Change in risk adjustment for non-financial risk for risk expired	-	(3,678)	-	-	(3,678)	-	(2,386)	-	-	(2,386)
Experience adjustments	(174)	-	-	-	(174)	17,064	-	-	-	17,064
Changes that relate to future services										
Contracts initially recognised in the year	(59,608)	3,871	-	64,836	9,099	(64,474)	3,194	-	65,571	4,291
Changes in estimates that adjust the CSM	(1,810)	1,193	22,705	(22,088)	-	(106,235)	1,165	119,221	(14,151)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	10,931	30	-	-	10,961	21,076	(291)	-	-	20,785
Changes that relate to past services										
Adjustments to liabilities for incurred claims	728	-	-	-	728	169	-	-	-	169
Insurance service results	(49,933)	1,416	(91,758)	9,199	(131,076)	(132,400)	1,682	(2,520)	18,737	(114,501)

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued (continued)

(ii) Insurance contracts – Life other contracts – Contracts issued (continued)

	2025					2024				
			Contractual service margin					Contractual service margin		
	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contracts under the fair value approach $'000	Other contracts (Note) $'000	Total $'000	Estimates of present value of future cash flows $'000	Risk adjustment for non-financial risk $'000	Contracts under the fair value approach $'000	Other contracts (Note) $'000	Total $'000
Net finance expenses from insurance contracts	560,197	-	22,864	6,561	589,622	237,202	-	23,433	5,568	266,203
Effect of movements in exchange rates	36,520	13	65	120	36,718	(33,704)	(18)	(179)	(229)	(34,130)
Total changes in the Income statement and Statement of comprehensive income	546,784	1,429	(68,829)	15,880	495,264	71,098	1,664	20,734	24,076	117,572
Cash flows										
Premiums received	2,650,969	-	-	-	2,650,969	2,468,935	-	-	-	2,468,935
Claims and other insurance service expenses paid, including investment components	(2,912,698)	-	-	-	(2,912,698)	(1,176,038)	-	-	-	(1,176,038)
Insurance acquisition cash flows	(46,125)	-	-	-	(46,125)	(46,814)	-	-	-	(46,814)
Total cash flows	(307,854)	-	-	-	(307,854)	1,246,083	-	-	-	1,246,083
Other	-	-	-	-	-	-	-	-	-	-
Net closing balance	9,009,207	35,624	906,717	202,909	10,154,457	8,770,277	34,195	975,546	187,029	9,967,047
Closing assets	(25,710)	2,042	6,224	8,862	(8,582)	(24,909)	1,888	9,205	10,987	(2,829)
Closing liabilities	9,034,917	33,582	900,493	194,047	10,163,039	8,795,186	32,307	966,341	176,042	9,969,876
Net closing balance	9,009,207	35,624	906,717	202,909	10,154,457	8,770,277	34,195	975,546	187,029	9,967,047

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued (continued)

(iii) Reinsurance contracts held

	2025					2024				
			Contractual service margin					Contractual service margin		
	Estimates of present value of future cash flows $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000
Opening assets	14,386,340	30,202	(251,937)	(1,297,509)	12,867,096	5,655,897	3,414	(278,390)	(3,271)	5,377,650
Opening liabilities	(1,409,761)	40,430	344,730	22,998	(1,001,603)	(1,256,309)	36,655	90,978	17,868	(1,110,808)
Net opening balance	12,976,579	70,632	92,793	(1,274,511)	11,865,493	4,399,588	40,069	(187,412)	14,597	4,266,842
Changes in the Income statement and Statement of comprehensive income										
Changes that relate to current services										
CSM recognised for services provided	-	-	10,323	100,410	110,733	-	-	19,660	69,738	89,398
Change in risk adjustment for non-financial risk for risk expired	-	(171)	-	-	(171)	-	28	-	-	28
Experience adjustments	(36,770)	-	-	-	(36,770)	(2,967)	-	-	-	(2,967)
Changes that relate to future services										
Contracts initially recognised in the year	(17,677)	5,306	-	20,961	8,590	1,245,055	(8,552)	-	(1,234,542)	1,961
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	(11,655)	(11,655)	-	-	-	(4,205)	(4,205)
Changes in estimates that adjust the CSM	(58,846)	(29,190)	54,381	33,655	-	(215,268)	38,968	258,557	(82,257)	-
Changes in estimates that do not adjust the CSM	966	(304)	-	-	662	184	146	-	-	330
Changes that relate to past services										
Adjustments to assets/liabilities for incurred claims	10,778	-	-	-	10,778	19,599	-	-	-	19,599
Net income/(expenses) from reinsurance contracts held	(101,549)	(24,359)	64,704	143,371	82,167	1,046,603	30,590	278,217	(1,251,266)	104,144

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(b) Movements in carrying amounts – analysis by measurement component – Contracts issued (continued)

(iii) Reinsurance contracts held (continued)

	2025					2024				
			Contractual service margin					*Contractual service margin*		
	Estimates of present value of future cash flows $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000	*Estimates of present value of future cash flows* $'000	*Risk adjustment for non-financial risk* $'000	*Contracts under the fair value approach* $'000	*Other contracts (Note)* $'000	*Total* $'000
Net finance income/(expenses) from reinsurance contracts held	1,029,205	-	1,390	(55,896)	974,699	270,891	-	(1,315)	(37,694)	231,882
Effect of changes in non-performance risk of reinsurers	750	-	-	-	750	160	-	-	-	160
Effect of movements in exchange rates	95,528	(68)	(4,600)	(71)	90,789	(77,709)	(27)	3,303	(148)	(74,581)
Total changes in the Income statement and Statement of comprehensive income	1,023,934	(24,427)	61,494	87,404	1,148,405	1,239,945	30,563	280,205	(1,289,108)	261,605
Cash flows										
Premiums paid	1,345,302	-	-	-	1,345,302	8,323,814	-	-	-	8,323,814
Claims and other recoverables received, including investment components	(2,040,770)	-	-	-	(2,040,770)	(986,768)	-	-	-	(986,768)
Total cash flows	(695,468)	-	-	-	(695,468)	7,337,046	-	-	-	7,337,046
Other	-	-	-	-	-	-	-	-	-	-
Net closing balance	13,305,045	46,205	154,287	(1,187,107)	12,318,430	12,976,579	70,632	92,793	(1,274,511)	11,865,493
Closing assets	14,885,591	6,348	(220,077)	(1,252,913)	13,418,949	14,386,340	30,202	(251,937)	(1,297,509)	12,867,096
Closing liabilities	(1,580,546)	39,857	374,364	65,806	(1,100,519)	(1,409,761)	40,430	344,730	22,998	(1,001,603)
Net closing balance	13,305,045	46,205	154,287	(1,187,107)	12,318,430	12,976,579	70,632	92,793	(1,274,511)	11,865,493

Note: Other contracts are those contracts measured by applying HKFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at Transition and contracts incepted after Transition.

14 Insurance and reinsurance contracts held (continued)

(c) Effect of contracts initially recognised in the year

(i) Insurance contracts – Life direct participating contracts
– Contracts issued

	2025		
	Profitable contracts issued $'000	*Onerous contracts issued* $'000	*Total* $'000
Insurance contracts			
Estimates of present value of cash outflows			
Insurance acquisition cash flows	2,458,924	5,099	2,464,023
Claims and other insurance service expenses payable	36,574,727	48,027	36,622,754
Estimates of present value of cash inflows	(45,183,751)	(51,666)	(45,235,417)
Risk adjustment for non-financial risk	121,950	166	122,116
CSM	6,028,150	-	6,028,150
Losses recognised on initial recognition	-	1,626	1,626

	2024		
	Profitable contracts issued $'000	*Onerous contracts issued* $'000	*Total* $'000
Insurance contracts			
Estimates of present value of cash outflows			
Insurance acquisition cash flows	1,633,998	-	1,633,998
Claims and other insurance service expenses payable	27,929,391	8,286	27,937,677
Estimates of present value of cash inflows	(33,992,534)	(8,194)	(34,000,728)
Risk adjustment for non-financial risk	76,135	21	76,156
CSM	4,353,010	-	4,353,010
Losses recognised on initial recognition	-	113	113

14 Insurance and reinsurance contracts held (continued)

(c) Effect of contracts initially recognised in the year (continued)

(ii) Insurance contracts – Life other contracts – Contracts issued

	2025		
	Profitable contracts issued $'000	*Onerous contracts issued* $'000	*Total* $'000
Insurance contracts			
Estimates of present value of cash outflows			
Insurance acquisition cash flows	5,853	3,605	9,458
Claims and other insurance service expenses payable	1,802,066	756,127	2,558,193
Estimates of present value of cash inflows	(1,875,192)	(752,067)	(2,627,259)
Risk adjustment for non-financial risk	2,437	1,434	3,871
CSM	64,836	-	64,836
Losses recognised on initial recognition	-	9,099	9,099

	2024		
	Profitable contracts issued $'000	*Onerous contracts issued* $'000	*Total* $'000
Insurance contracts			
Estimates of present value of cash outflows			
Insurance acquisition cash flows	3,236	1,041	4,277
Claims and other insurance service expenses payable	1,409,891	862,055	2,271,946
Estimates of present value of cash inflows	(1,481,183)	(859,514)	(2,340,697)
Risk adjustment for non-financial risk	2,485	709	3,194
CSM	65,571	-	65,571
Losses recognised on initial recognition	-	4,291	4,291

(iii) Reinsurance contracts held

	2025 $'000	*2024* $'000
Reinsurance contracts held		
Estimates of present value of cash inflows	(1,486,675)	(10,745,935)
Estimates of present value of cash outflows	1,504,352	9,500,880
Risk adjustment for non-financial risk	(5,306)	8,552
Income recognised on initial recognition	8,590	1,961
CSM	20,961	(1,234,542)

14 Insurance and reinsurance contracts held (continued)

(d) Maturity analysis

The following tables illustrate when the company expects to recognise the remaining contractual service margin as insurance revenue for insurance contracts and allocation of reinsurance premiums for reinsurance contracts held.

	Present value of expected future cash flows								
31 December 2025	*Within 1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*5-10 years*	*10-20 years*	*Over 20 years*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Insurance liability future cash flows									
Life direct participating contracts	2,017,537	5,581,315	8,348,449	4,062,669	5,285,775	18,077,301	30,020,599	116,097,347	189,490,992
Life other contracts	815,328	258,188	670,592	736,694	1,102,182	2,144,302	1,383,168	1,924,463	9,034,917
Reinsurance contracts held	(152,153)	24,323	22,333	19,567	17,375	58,542	195,672	1,394,887	1,580,546
Insurance liability future cash flows at 31 December 2025	2,680,712	5,863,826	9,041,374	4,818,930	6,405,332	20,280,145	31,599,439	119,416,697	200,106,455
Remaining CSM									
Life direct participating contracts	2,336,217	2,166,215	1,978,961	1,814,344	1,674,138	6,513,772	6,836,865	4,528,728	27,849,240
Life other contracts	127,160	112,930	99,371	86,048	75,107	256,910	216,225	135,875	1,109,626
Reinsurance contracts held	109,269	99,779	93,422	84,565	75,797	249,146	190,536	130,306	1,032,820
Remaining CSM at 31 December 2025	2,572,646	2,378,924	2,171,754	1,984,957	1,825,042	7,019,828	7,243,626	4,794,909	29,991,686

31 December 2024	*Within 1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*5-10 years*	*10-20 years*	*Over 20 years*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Insurance liability future cash flows									
Life direct participating contracts	(1,672,050)	4,276,884	4,202,461	5,986,503	5,118,737	18,580,688	33,660,829	83,067,572	153,221,624
Life other contracts	2,122,693	170,428	144,263	709,731	780,825	1,630,007	1,313,303	1,923,936	8,795,186
Reinsurance contracts held	(176,520)	10,114	10,255	10,524	9,771	50,730	169,140	1,325,747	1,409,761
Insurance liability future cash flows at 31 December 2024	274,123	4,457,426	4,356,979	6,706,758	5,909,333	20,261,425	35,143,272	86,317,255	163,426,571
Remaining CSM									
Life direct participating contracts	1,968,718	1,822,470	1,686,564	1,563,119	1,448,820	5,739,011	6,215,217	4,339,305	24,783,224
Life other contracts	131,581	116,894	104,729	91,957	79,349	270,389	224,667	143,009	1,162,575
Reinsurance contracts held	116,881	110,806	102,493	96,379	86,847	299,554	236,469	132,289	1,181,718
Remaining CSM at 31 December 2024	2,217,180	2,050,170	1,893,786	1,751,455	1,615,016	6,308,954	6,676,353	4,614,603	27,127,517

The amounts included in the table include projections of the CSM recognition for the services that will be provided or received in the future for the contracts in force as at the reporting date, but do not take account of future interest accretion under the GMM and future adjustments of the CSM reflecting changes in the variable fee for contracts under the VFA.

14 Insurance and reinsurance contracts held (continued)

(e) Liquidity risk - Amount payable on demand

The amounts of insurance contract liabilities that are payable on demand are set out by the product grouping below:

	2025		*2024*	
	Amount payable on demand $'000	*Carrying amount* $'000	*Amount payable on demand* $'000	*Carrying amount* $'000
Life direct participating contracts	199,443,000	217,981,012	168,930,290	178,474,978
Life other contracts	7,850,000	10,163,039	7,887,130	9,969,876

(f) Sensitivities

(i) Sensitivity to market risk factors

The following table provides the impacts on the CSM, profit after tax and equity of the Company from reasonably possible effects of changes in selected interest rate, growth assets and foreign exchange rate scenarios for the year. These sensitivities are prepared in accordance with current HKFRSs and are based on changing one assumption at a time with other variables being held constant which in practice could be correlated.

Due in part to the impact of the cost of guarantees and hedging strategies, which may be in place, the relationship between the profit and total equity and the risk factors is non-linear, for example, to the potential impact of guarantees. Therefore, the results disclosed should not be extrapolated to measure sensitivities to different levels of stress. For the same reason, the impact of the stress is not necessarily symmetrical on the upside and downside. The sensitivities are stated before allowance for management actions, which may mitigate the effect of changes in the market environment. The sensitivities presented allow for adverse changes in policyholder behaviour that may arise in response to changes in market rates.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

	2025			*2024*		
At 31 December	*Effect on profit after tax* $'000	*Effect on CSM* $'000	*Effect on total equity* $'000	*Effect on profit after tax* $'000	*Effect on CSM* $'000	*Effect on total equity* $'000
+100 basis point parallel shift in yield curves	214,603	323,461	214,603	38,600	135,741	38,600
-100 basis point parallel shift in yield curves	(258,899)	(1,124,569)	(258,899)	(73,543)	(637,056)	(73,543)
+100 basis point shift in credit spreads	(198,298)	(1,257,310)	(198,298)	(235,509)	(1,153,035)	(235,509)
-100 basis point shift in credit spreads	283,420	1,140,945	283,420	315,930	1,186,604	315,930
10% increase in growth assets	97,447	706,201	97,447	94,177	712,814	94,177
10% decrease in growth assets	(103,471)	(779,004)	(103,471)	(101,021)	(784,848)	(101,021)
10% increase in USD exchange rate against local functional currency	33,615	130,965	33,615	(1,025)	32,532	(1,025)
10% decrease in USD exchange rate against local functional currency	(33,615)	(130,965)	(33,615)	1,025	(32,532)	1,025

The analysis above has been prepared for a change in variable with all other assumptions remaining constant.

14 Insurance and reinsurance contracts held (continued)

(f) Sensitivities (continued)

(i) Sensitivity to market risk factors (continued)

For the sensitivity to parallel shift in yield curves and shift in credit spreads, an absolute +/- 100 basis points of the discount rate is used. For the sensitivity to growth assets, a relative +/- 10% (i.e. multiply the assumption by 110% or 90%) is used. For the sensitivity to USD exchange rate, the extent of change is limited by the impact of the HKD to USD peg.

Note: Growth assets primarily comprise equities securities, collective investment schemes, derivatives (other than exchange rate contracts) and investment properties. Variability in growth asset fair value constitutes a market risk to the Company.

(ii) Sensitivity to insurance underwriting risk factors

The following table shows the sensitivity of the CSM, profit and total equity to reasonably possible changes in non-economic assumptions for the Company. These sensitivities are prepared in accordance with current HKFRSs.

Mortality and morbidity risk is typically associated with life insurance contracts. The effect on profit of an increase in mortality or morbidity depends on the type of business being written.

Sensitivity to lapse rates depends on the type of contracts being written. An increase in lapse rates typically has a negative effect on CSM (and therefore expected future profits) due to the loss of future income on the lapsed policies. However, some contract lapses have a positive effect on profit due to the existence of policy surrender charges.

Expense rate risk is the exposure to a change in the allocated cost of administering insurance contracts. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative effect on CSM and profits.

	Effect on CSM (net) (Note i)	*Effect on profit after tax (net) (Note i)*	*Effect on total equity (net) (Note i)*
	$'000	$'000	$'000
At 31 December 2025			
5% increase in mortality and/or morbidity rates	(75,241)	(8,302)	(8,302)
5% decrease in mortality and/or morbidity rates	68,712	7,827	7,827
10% increase in lapse rates	(304,251)	26,240	26,240
10% decrease in lapse rates	265,290	(24,085)	(24,085)
10% increase in expense rates	(13,426)	(258)	(258)
10% decrease in expense rates	9,600	100	100
At 31 December 2024			
5% increase in mortality and/or morbidity rates	(76,707)	(15,600)	(15,600)
5% decrease in mortality and/or morbidity rates	75,649	15,694	15,694
10% increase in lapse rates	(269,793)	(33,727)	(33,727)
10% decrease in lapse rates	291,701	34,733	34,733
10% increase in expense rates	(20,473)	(573)	(573)
10% decrease in expense rates	23,604	762	762

Note: (i) The 'net' sensitivity impacts are provided after considering the impacts of reinsurance contracts held as risk mitigation.

15 Current and deferred tax in the balance sheet

(a) Current tax payable in the balance sheet represents:

	2025 $'000	*2024* $'000
At 1 January	1,246,821	367,282
Provision for Hong Kong profits tax for the year	1,386,616	1,150,215
Provision for transitional tax adjustment	361,453	361,453
Under-provision in respect of the prior year	141,065	18,565
Tax paid	(2,452,692)	(650,694)
At 31 December	683,263	1,246,821

(b) Deferred tax assets and liabilities recognised:

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

	Difference between tax and accounting basis *$'000*	*Depreciation allowances in excess of related depreciation* $'000	*Revaluation of debt securities* $'000	*Surplus on property revaluation* $'000	*Total* $'000
Deferred tax arising from:					
At 1 January 2024	(1,700,110)	37,910	54	54,638	(1,607,508)
Origination and reversal of temporary differences	(1,059,038)	3,448	-	(33,107)	(1,088,697)
Under-provision of prior year	(24,290)	-	-	-	(24,290)
Credited to other comprehensive income for the year	-	-	(58)	-	(58)
At 31 December 2024	(2,783,438)	41,358	(4)	21,531	(2,720,553)
At 1 January 2025	(2,783,438)	41,358	(4)	21,531	(2,720,553)
Origination and reversal of temporary differences	(1,227,828)	3,448	-	(31,680)	(1,256,060)
Under-provision of prior year	(168,918)	-	-	-	(168,918)
Charged to other comprehensive income for the year	-	-	3,657	-	3,657
At 31 December 2025	(4,180,184)	44,806	3,653	(10,149)	(4,141,874)

16 Financial instruments

(a) Investment assets

	2025					*2024*				
	Mandatorily measured at FVPL $'000	*Trading* $'000	*Amortised Cost* $'000	*FVOCI* $'000	*Total* $'000	*Mandatorily measured at FVPL* $'000	*Trading* $'000	*Amortised Cost* $'000	*FVOCI* $'000	*Total* $'000
Investment assets										
Equities										
Listed	22,377,054	-	-	-	22,377,054	12,758,639	-	-	-	12,758,639
Unlisted	52,176	-	-	-	52,176	43,629	-	-	-	43,629
	22,429,230	-	-	-	22,429,230	12,802,268	-	-	-	12,802,268
Debt securities - fixed rate										
Government bonds	1,579,450	-	1,059,014	987,018	3,625,482	2,160,708	-	5,106,695	10,090	7,277,493
Listed	45,687,577	-	1,039,290	9,040	46,735,907	37,846,262	-	481,975	17,982	38,346,219
Unlisted	78,316,220	-	2,765,049	7,727	81,088,996	73,470,379	-	2,202,416	20,372	75,693,167
	125,583,247	-	4,863,353	1,003,785	131,450,385	113,477,349	-	7,791,086	48,444	121,316,879
Debt securities - floating rate										
Listed	-	-	-	-	-	-	-	-	-	-
Unlisted	453,779	-	1,044,923	-	1,498,702	-	-	1,044,829	-	1,044,829
	453,779	-	1,044,923	-	1,498,702	-	-	1,044,829	-	1,044,829
Collective investment schemes										
Listed	9,717,311	-	-	-	9,717,311	6,398,360	-	-	-	6,398,360
Unlisted	41,650,638	-	-	-	41,650,638	30,902,114	-	-	-	30,902,114
	51,367,949	-	-	-	51,367,949	37,300,474	-	-	-	37,300,474

16 Financial instruments (continued)

(a) Investment assets (continued)

	2025					*2024*				
	Mandatorily measured at FVPL $'000	*Trading* $'000	*Amortised Cost* $'000	*FVOCI* $'000	*Total* $'000	*Mandatorily measured at FVPL* $'000	*Trading* $'000	*Amortised Cost* $'000	*FVOCI* $'000	*Total* $'000
Derivatives	-	83,411	-	-	83,411	-	161,046	-	-	161,046
Accreting loans	475,524	-	-	-	475,524	644,434	-	-	-	644,434
Total investment assets	200,309,729	83,411	5,908,276	1,003,785	207,305,201	164,224,525	161,046	8,835,915	48,444	173,269,930
Investment liabilities										
Derivatives	-	215,274	-	-	215,274	-	160,224	-	-	160,224
Total investment liabilities	-	215,274	-	-	215,274	-	160,224	-	-	160,224

Exposure to market, credit and liquidity risks arises in the normal course of the Company's business. Details of the Company's key risk management processes are set out in Notes 4(d)(i) to 4(d)(iii).

16 Financial instruments (continued)

(b) Credit risk

(i) Summary of credit risk exposure

The Company's credit exposure is spread across a broad range of asset classes, including debt securities, accreting loans, collective investment schemes, loan to a subsidiary, placings with and advances to banks and other financial institutions. The following table presents the maximum exposure to credit risk from financial assets, before taking account of any collateral held.

	2025	*2024*
	$'000	$'000
Loan to a subsidiary	306,544	310,196
Debt securities measured at amortised cost	5,908,276	8,835,915
Debt securities measured at FVOCI	1,003,785	48,444
Debt securities and accreting loans measured at FVPL	126,512,550	114,121,783
Other investment assets measured at FVPL	73,797,179	50,102,742
Derivatives	83,411	161,046
Other assets	1,998,670	1,735,459
Placings with and advances to banks and other financial institutions	11,748,204	6,684,363
Cash and deposit balances	1,633,992	3,265,604
	222,992,611	185,265,552

Total exposure to credit risk by types remained broadly unchanged in 2025 with debt securities continuing to be the largest element. Details of credit risk management are disclosed in Note 4(d)(ii).

(ii) Summary of major financial assets to which the impairment requirements in HKFRS 9 are applied

The following table presents the gross carrying/nominal amount of major financial assets, i.e. debt securities, which the impairment requirements in HKFRS 9 are applied and the associated ECL. For other financial assets, no ECL is recognised upon impairment assessment.

16 Financial instruments (continued)

(b) Credit risk (continued)

(ii) Summary of major financial assets to which the impairment requirements in HKFRS 9 are applied (continued)

	At 31 December 2025		*At 31 December 2024*	
	Gross carrying/ Nominal amount	*Allowance for ECL*	*Gross carrying/ Nominal amount*	*Allowance for ECL*
	$'000	$'000	$'000	$'000
Debt securities measured at amortised cost	5,912,553	(4,277)	8,836,544	(629)
	Fair value	*Memorandum ECL*	*Fair value*	*Memorandum ECL*
	$'000	$'000	$'000	$'000
Debt securities measured at FVOCI	1,003,785	(27)	48,444	(8)

Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses' in Income Statement.

(iii) Summary of credit risk (excluding debt securities measured at FVOCI) by stage distribution and ECL coverage

The following table provides an overview of the Company's credit risk by stage for debt securities and the associated ECL coverage, with the characteristics in each stage defined in Note 1(q)(i):

At 31 December 2025

	Gross carrying/ nominal amount			*Allowance for ECL*			*ECL coverage %*		
	Stage 1	*Stage 2*	*Total*	*Stage 1*	*Stage 2*	*Total*	*Stage 1*	*Stage 2*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Debt securities measured at amortised cost	5,881,383	31,170	5,912,553	(3,677)	(600)	(4,277)	0.06%	1.92%	0.07%

At 31 December 2024

	Gross carrying/ nominal amount			*Allowance for ECL*			*ECL coverage %*		
	Stage 1	*Stage 2*	*Total*	*Stage 1*	*Stage 2*	*Total*	*Stage 1*	*Stage 2*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Debt securities measured at amortised cost	8,836,544	-	8,836,544	(629)	-	(629)	0.01%	N/A	0.01%

16 Financial instruments (continued)

(b) Credit risk (continued)

(iv) Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. The Company forms multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate.

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario for selected portfolios, applying a 100% weighting to each scenario in turn.

The ECL sensitivity represents an estimate based on the underlying point-in-time distribution of economic scenarios. Changes to economic forecasts, underlying credit quality and relationships between macro-economic factors and credit risk are not expected to have a significant impact on ECL.

16 Financial instruments (continued)

(b) Credit risk (continued)

For the purposes of the disclosure in notes 16(b)(v) and (vi), gross carrying value/gross exposure is defined as the amortised cost of a financial asset, before adjusting for any impairment allowance. As such, the gross carrying value/gross exposure of debt securities measured at FVOCI as presented will not reconcile to the balance sheet as it excludes fair value gains and losses.

(v) Reconciliation of changes in gross carrying/nominal amount and impairment allowances for debt securities

	Non credit-impaired					
	Stage 1		*Stage 2*		*Total*	
	Gross exposure $'000	*Allowance for ECL* $'000	*Gross exposure* $'000	*Allowance for ECL* $'000	*Gross exposure* $'000	*Allowance for ECL* $'000
At 1 January 2025	8,884,988	(637)	-	-	8,884,988	(637)
Transfers of financial assets:						
- from Stage 1 to Stage 2	(31,170)	3	31,170	(3)	-	-
- from Stage 2 to Stage 1	-	-	-	-	-	-
	(31,170)	3	31,170	(3)	-	-
ECL (charge)/release for the year						
- New financial assets originated or purchased	35,422,566	(2,841)	-	-	35,422,566	(2,841)
- Assets derecognised (including final repayments)	(37,476,815)	122	-	-	(37,476,815)	122
- Changes to risk parameters (model inputs)	-	(351)	-	(597)	-	(948)
	(2,054,249)	(3,070)	-	(597)	(2,054,249)	(3,667)
Foreign exchange and others	63,492	-	-	-	63,492	-
At 31 December 2025	6,863,061	(3,704)	31,170	(600)	6,894,231	(4,304)
At 1 January 2024	8,339,968	(1,461)	1,561	(1)	8,341,529	(1,462)
Transfers of financial assets:						
- from Stage 1 to Stage 2	-	-	-	-	-	-
- from Stage 2 to Stage 1	1,561	(1)	(1,561)	1	-	-
	1,561	(1)	(1,561)	1	-	-
ECL (charge)/release for the year						
- New financial assets originated or purchased	38,899,699	(49)	-	-	38,899,699	(49)
- Assets derecognised (including final repayments)	(38,386,282)	471	-	-	(38,386,282)	471
- Changes to risk parameters (model inputs)	-	402	-	-	-	402
	513,417	824	-	-	513,417	824
Foreign exchange and others	30,042	1	-	-	30,042	1
At 31 December 2024	8,884,988	(637)	-	-	8,884,988	(637)

There are no debt securities that are deemed to be credit-impaired and are required to be transferred to stage 3.

16 Financial instruments (continued)

(b) Credit risk (continued)

(vi) Credit quality

We assess the credit quality of all financial assets that are subject to credit risk. The credit quality of financial assets is a point in time assessment of the probability of default of financial assets, whereas HKFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial assets, there is no direct relationship between the credit quality assessment and HKFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

Five broad classifications describe the credit quality of the Company's financial assets. Each of these classifications encompasses a range of more granular external ratings attributed by external agencies, as shown in the table below. External ratings have been aligned to five credit quality classifications based on the mapping of related CRR to external credit ratings. The mapping is reviewed on a regular basis. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently. If major rating agencies have different ratings for the same financial assets, a prudent rating selection is made in line with regulatory requirements.

Credit quality classification	**Sovereign debt securities**	**Other financial assets**
Strong	BBB and above	A- and above
Good	BBB- to BB	BBB+ to BBB-
Satisfactory	BB- to B, and unrated	BB+ to B, and unrated
Sub-standard	B- to C	B- to C
Credit-impaired	Default	Default

Quality classification definitions:

Strong : Exposures demonstrate a strong capacity to meet commitments, with negligible or low probability of default and/or low levels of expected loss.

Good : Exposures demonstrate a good capacity to meet financial commitments, with low default risk.

Satisfactory : Exposures require closer monitoring, with low to moderate default risk.

Sub-standard : Exposures require varying degrees of special attention and default risk of greater concern.

Credit-impaired : Have been assessed, individually or collectively, as impaired.

16 Financial instruments (continued)

(b) Credit risk (continued)

(vi) Credit quality (continued)

Distribution of financial assets by credit quality and stage distribution to which the impairment requirements in HKFRS 9 are applied

	Gross carrying value							
	Strong $'000	*Good* $'000	*Satisfactory* $'000	*Sub-standard* $'000	*Credit-impaired* $'000	*Total* $'000	*Allowance for ECL* $'000	*Net* $'000
In-scope for HKFRS 9 impairment								
Loan to subsidiary								
- stage 1	306,544	-	-	-	-	306,544	-	306,544
Debt securities measured at amortised cost								
- stage 1	5,260,284	621,099	-	-	-	5,881,383	(3,677)	5,877,706
- stage 2	31,170	-	-	-	-	31,170	(600)	30,570
Other assets								
- stage 1	1,491,376	288,441	202,058	16,795	-	1,998,670	-	1,998,670
Placing with and advances to banks and other financial institutions								
- stage 1	11,748,204	-	-	-	-	11,748,204	-	11,748,204
Cash and deposit balances								
- stage 1	1,633,992	-	-	-	-	1,633,992	-	1,633,992
Debt securities measured at FVOCI								
- stage 1	981,678	-	-	-	-	981,678	(27)	981,651
Out-of-scope for HKFRS 9 impairment								
Debt securities and accreting loans measured at FVPL	104,397,774	20,694,730	509,822	910,224	-	126,512,550	-	126,512,550
Derivatives	83,411	-	-	-	-	83,411	-	83,411
At 31 December 2025	125,934,433	21,604,270	711,880	927,019	-	149,177,602	(4,304)	149,173,298
Percentage of total credit quality	84%	14%	1%	1%	0%	100%		

16 Financial instruments (continued)

(b) Credit risk (continued)

(vi) Credit quality (continued)

Distribution of financial assets by credit quality and stage distribution to which the impairment requirements in HKFRS 9 are applied (continued)

	Gross carrying value							
	Strong $'000	*Good* $'000	*Satisfactory* $'000	*Sub-standard* $'000	*Credit-impaired* $'000	*Total* $'000	*Allowance for ECL* $'000	*Net* $'000
In-scope for HKFRS 9 impairment								
Loan to subsidiary								
- stage 1	310,196	-	-	-	-	310,196	-	310,196
Debt securities measured at amortised cost								
- stage 1	8,759,932	76,612	-	-	-	8,836,544	(629)	8,835,915
- stage 2	-	-	-	-	-	-	-	-
Other assets								
- stage 1	1,318,242	245,183	172,034	-	-	1,735,459	-	1,735,459
Placing with and advances to banks and other financial institutions								
- stage 1	6,684,363	-	-	-	-	6,684,363	-	6,684,363
Cash and deposit balances								
- stage 1	3,265,604	-	-	-	-	3,265,604	-	3,265,604
Debt securities measured at FVOCI								
- stage 1	46,169	2,313	-	-	-	48,482	(8)	48,474
Out-of-scope for HKFRS 9 impairment								
Debt securities and accreting loans measured at FVPL	88,652,197	21,375,868	4,093,718	-	-	114,121,783	-	114,121,783
Derivatives	161,046	-	-	-	-	161,046	-	161,046
At 31 December 2024	109,197,749	21,699,976	4,265,752	-	-	135,163,477	(637)	135,162,840
Percentage of total credit quality	81%	16%	3%	0%	0%	100%		

16 Financial instruments (continued)

(c) Interest rate risk

(i) Financial assets

For debt securities backing insurance contracts unfavourable interest rate movement may result in potential loss in market value of the assets. The majority of insurance contracts is measured under VFA, to the extent the change in fair value of the debt securities due to interest rate change which are attributable to policyholders, an offsetting amount will be recognised in insurance finance income or expenses and absorbed in CSM balance. Accordingly, impact on the profit after tax for the year and shareholders' equity as at year end would not be material. Sensitivity analysis regarding the interest rate risk should be read in conjunction with the sensitivity analysis regarding the market risk factors impacting insurance and reinsurance contracts held by the Company which was set out in Note 14(f)(i).

(ii) Liabilities under investment contracts

Certain investment contracts contain capital and minimum return guarantees. The existence of such guarantees limits the ability of liability valuations to be offset by changes in asset values. At 31 December 2025, of the total non-linked investment products, an aggregate fund value of HK$154,881,181 (2024: HK$169,833,800) was subject to contractual capital guarantees to be met by the Company. These guarantees are estimated to have a fair value of HK$Nil (2024: HK$Nil) which is reflected in the financial statements as part of the fair value of the liabilities under investment contracts. However, the determination of fair value is sensitive to future changes in interest rates.

A hypothetical 100 basis points reduction in interest rates is estimated to be no effect (2024: Nil) in the value of assets backing investment contract liabilities. No amount (2024: Nil) would accrue to policyholders' fund value. There is no change to the fair value of capital and minimum return guarantee liabilities under this scenario and subsequently no effect (2024: Nil) on profit after tax and shareholders' equity.

16 Financial instruments (continued)

(d) Liquidity risk

(i) In respect of major financial assets and financial liabilities, the following table indicates the expected or contractual maturity profile at the balance sheet date:

	2025					
	Total	*One year or less*	*1 - 2 years*	*2 - 5 years*	*More than 5 years*	*No contractual maturity*
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Loan to subsidiary	306,544	-	-	306,544	-	-
Investment assets measured at amortised cost	5,908,276	628,858	412,876	2,866,180	2,000,362	-
Investment assets measured at FVOCI	1,003,785	5,750	5,601	4,772	987,662	-
Investment assets measured at FVPL	200,309,729	13,442,138	14,236,552	15,302,785	83,531,075	73,797,179
Derivatives	83,411	83,411	-	-	-	-
Other assets	1,998,670	1,996,018	-	-	-	2,652
Placings with and advances to banks and other financial institutions	11,748,204	11,748,204	-	-	-	-
Cash and deposit balances	1,633,992	1,633,992	-	-	-	-
	222,992,611	29,538,371	14,655,029	18,480,281	86,519,099	73,799,831
Financial liabilities						
Derivatives	215,274	215,274	-	-	-	-
Subordinated loan	1,045,000	-	-	1,045,000	-	-
Other liabilities	2,867,440	2,669,003	51,863	146,574	-	-
	4,127,714	2,884,277	51,863	1,191,574	-	-

16 Financial instruments (continued)

(d) Liquidity risk (continued)

(i) In respect of major financial assets and financial liabilities, the following table indicates the expected or contractual maturity profile at the balance sheet date (continued):

	2024					
	Total $'000	*One year or less* $'000	*1 - 2 years* $'000	*2 - 5 years* $'000	*More than 5 years* $'000	*No contractual maturity* $'000
Financial assets						
Loan to subsidiary	310,196	-	-	310,196	-	-
Investment assets measured at amortised cost	8,835,915	5,097,463	579,254	685,180	2,474,018	-
Investment assets measured at FVOCI	48,444	20,408	3,103	14,303	10,630	-
Investment assets measured at FVPL	164,224,525	10,904,698	8,250,614	19,785,728	75,180,743	50,102,742
Derivatives	161,046	161,046	-	-	-	-
Other assets	1,735,459	1,732,801	-	-	-	2,658
Placings with and advances to banks and other financial institutions	6,684,363	6,684,363	-	-	-	-
Cash and deposit balances	3,265,604	3,265,604	-	-	-	-
	185,265,552	27,866,383	8,832,971	20,795,407	77,665,391	50,105,400
Financial liabilities						
Derivatives	160,224	160,224	-	-	-	-
Subordinated loan	1,045,000	-	-	-	1,045,000	-
Other liabilities	3,291,152	2,989,246	65,862	177,676	58,368	-
	4,496,376	3,149,470	65,862	177,676	1,103,368	-

16 Financial instruments (continued)

(d) Liquidity risk (continued)

(ii) Liabilities under investment contracts

The following table presents the estimated amounts (on an undiscounted basis) and timing of cash flows arising from liabilities under investment contracts. A maturity analysis prepared on the basis of the earliest possible contractual repayment date, assuming that all surrender and transfer options are exercised, would result in all investment contracts being presented as falling due within one year or less.

	2025				
	Total $'000	*One year or less* $'000	*1 - 2 years* $'000	*2 - 5 years* $'000	*More than 5 years* $'000
Investment contracts					
- Non-linked	160,892	(4,791)	-	-	165,683
- Linked	59,257	7,087	-	-	52,170
	220,149	2,296	-	-	217,853

	2024				
	Total $'000	*One year or less* $'000	*1 - 2 years* $'000	*2 - 5 years* $'000	*More than 5 years* $'000
Investment contracts					
- Non-linked	196,983	(4,432)	-	-	201,415
- Linked	47,918	7,735	-	-	40,183
	244,901	3,303	-	-	241,598

(e) Equity price risk

The portfolio of marketable securities (including collective investment schemes) is mainly used to back insurance, which the Company carries in the balance sheet at fair value, has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

At 31 December 2025, the marketable securities (including collective investment schemes) and derivatives backing insurance contracts were recorded at their fair value of HK$73,665,316,000 (2024: HK$50,103,564,000).

The majority of insurance contracts is measured under VFA, to the extent the change in fair value of the marketable securities (including collective investment schemes) due to price change which are attributable to policyholders, an offsetting amount will be recognised in insurance finance income or expenses and absorbed in CSM balance. Accordingly, impact on the profit after tax for the year and shareholders' equity as at year end would not be material. Sensitivity analysis regarding the equity price risk should be read in conjunction with the sensitivity analysis regarding the market risk factors impacting insurance and reinsurance contracts held by the Company which was set out in Note 14(f)(i).

(f) Foreign exchange risk

The liabilities (include insurance contract liabilities) of the Company are mainly denominated in United States dollar ("USD"), Hong Kong dollar ("HKD") and China Renminbi ("RMB"). While the Company adopts a policy of predominately matching the assets with liabilities (including insurance contract liabilities) in the same currency, assets in other foreign currencies such as Euro ("EUR"), are also used to back such liabilities, and the Company mainly uses foreign exchange forward contracts to effectively reduce the Company's foreign currency exposure such that net foreign currency exposure is kept to an acceptable level under corresponding limits. Most of the foreign exchange forward contracts have maturities of less than one year. Sensitivity analysis regarding the foreign currency risk is presented in Note 14(f)(i).

16 Financial instruments (continued)

(f) Foreign exchange risk (continued)

The following table presents, in HKD equivalents, the Company's main currency exposures:

	2025					
In thousands of HKD equivalents	*Exposure in HKD*	*Exposure in USD*	*Exposure in RMB*	*Exposure in EUR*	*Exposure in other currencies*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Loan to subsidiary	306,544	-	-	-	-	306,544
Insurance contract assets	8,582	-	-	-	-	8,582
Reinsurance contract assets	10,231,050	1,400,745	1,787,154	-	-	13,418,949
Investment assets measured at amortised cost	2,784,057	3,124,219	-	-	-	5,908,276
Investment assets measured at FVOCI	-	1,003,785	-	-	-	1,003,785
Investment assets measured at FVPL	62,176,789	113,619,193	8,759,814	4,318,409	11,435,524	200,309,729
Derivatives	54,341	506	-	4,062	24,502	83,411
Other assets	1,074,911	797,881	101,947	1,853	22,078	1,998,670
Placings with and advances to banks and other financial institutions	6,712,746	4,016,365	524,783	24,240	470,070	11,748,204
Cash and deposit balances	663,105	785,808	146,427	1,564	37,088	1,633,992
	84,012,125	124,748,502	11,320,125	4,350,128	11,989,262	236,420,142
Financial liabilities						
Insurance contract liabilities	115,285,123	96,064,736	15,415,152	-	1,379,040	228,144,051
Reinsurance contract liabilities	972,214	126,980	1,325	-	-	1,100,519
Liabilities under investment contracts	220,149	-	-	-	-	220,149
Derivatives	470	130,325	12,107	1,068	71,304	215,274
Subordinated loan	1,045,000	-	-	-	-	1,045,000
Other liabilities	1,780,363	756,033	84,264	260	47,011	2,667,931
	119,303,319	97,078,074	15,512,848	1,328	1,497,355	233,392,924
Net exposure - (short position) /long position	(35,291,194)	27,670,428	(4,192,723)	4,348,800	10,491,907	3,027,218

16 Financial instruments (continued)

(f) Foreign exchange risk (continued)

The following table presents, in HKD equivalents, the Company's main currency exposures (continued):

	2024					
In thousands of HKD equivalents	*Exposure in HKD*	*Exposure in USD*	*Exposure in RMB*	*Exposure in EUR*	*Exposure in other currencies*	*Total*
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Loan to subsidiary	310,196	-	-	-	-	310,196
Insurance contract assets	2,829	-	-	-	-	2,829
Reinsurance contract assets	9,484,615	1,422,112	1,960,369	-	-	12,867,096
Investment assets measured at amortised cost	7,682,968	1,152,947	-	-	-	8,835,915
Investment assets measured at FVOCI	8,013	40,431	-	-	-	48,444
Investment assets measured at FVPL	59,585,808	88,165,344	7,367,375	3,024,911	6,081,087	164,224,525
Derivatives	1,060,607	(956,997)	2,497	-	54,939	161,046
Other assets	1,002,398	630,398	90,048	1,236	11,379	1,735,459
Placings with and advances to banks and other financial institutions	4,698,990	1,768,432	202,582	15	14,344	6,684,363
Cash and deposit balances	715,641	2,210,526	293,423	840	45,174	3,265,604
	84,552,065	94,433,193	9,916,294	3,027,002	6,206,923	198,135,477
Financial liabilities						
Insurance contract liabilities	112,351,301	62,829,512	12,770,333	-	493,708	188,444,854
Reinsurance contract liabilities	867,711	132,519	1,373	-	-	1,001,603
Liabilities under investment contracts	244,901	-	-	-	-	244,901
Derivatives	(2,266,629)	2,398,577	-	6,009	22,267	160,224
Subordinated loan	1,045,000	-	-	-	-	1,045,000
Other liabilities	1,245,739	1,379,757	294,286	647	69,299	2,989,728
	113,488,023	66,740,365	13,065,992	6,656	585,274	193,886,310
Net exposure - (short position) /long position	(28,935,958)	27,692,828	(3,149,698)	3,020,346	5,621,649	4,249,167

16 Financial instruments (continued)

(g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value on an ongoing basis include debt securities measured at FVOCI and FVPL, accreting loans measured at FVPL, equity securities, collective investment schemes and derivatives.

(i) Determination of fair value of financial instruments carried at fair value

Fair value is based on to the following valuation hierarchy:

(a) Level 1 - Quoted market price

Financial instruments with quoted prices for identical instruments in active markets.

(b) Level 2 - Valuation technique using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable, e.g. interest rate and credit spread.

(c) Level 3 - Valuation technique with significant unobservable inputs

Financial instruments valued using models where one or more significant inputs are not observable (e.g. market valuation for similar entities quoted in active market).

Details of management judgements are set out in Note 3(e).

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

The fair value of listed securities/collective investment schemes is based on quoted market prices at the end of the reporting period where available without any deduction for transaction costs.

The fair value of unlisted equity securities is estimated using the applicable price/earnings ratio of a similar listed company adjusted for the specific circumstances of the investee company.

16 Financial instruments (continued)

(g) Fair value (continued)

(i) Determination of fair value of financial instruments carried at fair value (continued)

(i) Securities (continued)

The fair value of unquoted debt securities is estimated by comparing market interest rates when the loans were granted with current market rates offered for similar instruments or derived by using fund manager calculated discount margin/yield to maturity as an input into a discounted cash flow analysis reflecting the contractual terms of the instrument at the measurement date.

The fair value of unlisted collective investment schemes is made reference to the quoted market prices of underlying investments held, or net asset value or based upon valuation techniques developed by the manager of each collective investment scheme that use, where possible, current market based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. The transaction price is used as the best estimate of fair value at inception.

(ii) Derivatives

Foreign exchange forward contracts and swap are marked to market either using market prices or by discounting the contractual forward price and deducting the current spot rate.

Equity options are valued using valuation models. Valuation models calculate the present value of expected future cash flows, together with the observable market data, including prices available from exchanges, dealers and brokers for the equity linked investments.

(iii) Other assets/liabilities

For assets/liabilities which are recoverable/payable within one year, the carrying amount is deemed to be the fair value.

(iv) Investment contracts

The fair value of investment contracts is the accrued policy fund balance, plus where applicable an allowance for the future cost of guarantee in the non-linked investment contracts. The fair value of the cost of guarantee is calculated as the best estimate liability plus an allowance for the cost of holding regulatory capital.

The best estimate liability is arrived at using a valuation model to project the actual balance and the guaranteed balance based on 1,000 scenarios of stochastically generated investment returns for 30 years. The guaranteed cost is derived for each projection year under each scenario, being the present value of any shortfall of the actual balance to meet the guaranteed liability, net of fee income.

The valuation of the allowance for the cost of holding regulatory capital is sensitive to certain assumptions, in particular the cost of capital and the expected yield on assets backing the investment contract liabilities. The cost of capital is computed based on the internal reference rates used for insurance business. The expected yield on assets is based on the Company's long term investment return outlook.

16 Financial instruments (continued)

(g) Fair value (continued)

(ii) Analysis of fair value determination

The following table provides an analysis of the basis for the valuation of financial assets and financial liabilities measured at fair value in the financial statements:

At 31 December 2025

	Fair value measurements categorised into			
	Level 1 $'000	*Level 2* $'000	*Level 3* $'000	*Total* $'000
Recurring fair value measurements				
Financial assets				
Debt securities measured at FVOCI	994,745	9,040	-	1,003,785
Debt securities and accreting loan measured at FVPL	23,773,031	92,327,842	10,411,677	126,512,550
Other financial assets measured at FVPL	39,742,050	1,390,584	32,664,545	73,797,179
Derivatives	-	83,411	-	83,411
	64,509,826	93,810,877	43,076,222	201,396,925
Financial liabilities				
Liabilities under investment contracts	-	220,149	-	220,149
Derivatives	-	215,274	-	215,274
	-	435,423	-	435,423

At 31 December 2024

	Fair value measurements categorised into			
	Level 1 $'000	*Level 2* $'000	*Level 3* $'000	*Total* $'000
Recurring fair value measurements				
Financial assets				
Debt securities measured at FVOCI	16,881	31,563	-	48,444
Debt securities and accreting loan measured at FVPL	14,124,744	97,384,952	2,612,087	114,121,783
Other financial assets measured at FVPL	20,954,994	1,651,628	27,496,120	50,102,742
Derivatives	-	161,046	-	161,046
	35,096,619	99,229,189	30,108,207	164,434,015
Financial liabilities				
Liabilities under investment contracts	-	244,901	-	244,901
Derivatives	-	160,224	-	160,224
	-	405,125	-	405,125

16 Financial instruments (continued)

(g) Fair value (continued)

(iii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2025				*2024*			
	Unlisted equity securities $'000	*Debt securities measured at FVPL $'000*	*Collective investment schemes $'000*	*Total $'000*	*Unlisted equity securities $'000*	*Debt securities measured at FVPL $'000*	*Collective investment schemes $'000*	*Total $'000*
At 1 January	43,629	2,612,089	27,452,490	30,108,208	31,753	2,676,605	24,680,081	27,388,439
Purchases	-	154,641	8,613,225	8,767,866	-	-	10,038,551	10,038,551
Disposals/maturities/settlements	(3,552)	(1,087,011)	(5,757,975)	(6,848,538)	(5,518)	(318,341)	(8,878,772)	(9,202,631)
Transfer in	-	13,660,076	-	13,660,076	-	-	-	-
Transfer out	-	(5,298,862)	-	(5,298,862)	-	-	(471,804)	(471,804)
Total gains or losses recognised in profit or loss - net gain from financial assets measured at FVPL	12,092	370,744	2,304,636	2,687,472	17,394	253,825	2,084,434	2,355,653
At 31 December	52,169	10,411,677	32,612,376	43,076,222	43,629	2,612,089	27,452,490	30,108,208
Unrealised gains or losses recognised in profit or loss relating to those assets held at the end of the reporting period - net gain from financial assets measured at FVPL	8,540	454,015	1,104,487	1,567,042	11,876	30,210	252,048	294,134

The transfer in/(out) of Level 3 during 2025 represents movements of debt securities from/(to) Level 2 which are mainly attributable to enhancements to the application of the levelling methodology. The transfer out of Level 3 during 2024 represents cash balances held under the collective investment schemes. Any transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter.

16 Financial instruments (continued)

(g) Fair value (continued)

(iv) Effect of changes in significant unobservable assumptions to reasonably possible alternatives

The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions:

			At 31 December 2025 *Net gain/(loss) from financial assets measured at FVPL*		At 31 December 2024 *Net gain/(loss) from financial assets measured at FVPL*	
	Valuation techniques	*Significant unobservable inputs*	*Favourable changes* $'000	*Unfavourable changes* $'000	*Favourable changes* $'000	*Unfavourable changes* $'000
Financial assets measured at FVPL						
- Debt securities	Model - Discounted cash flow	Credit Spread	728,817	(728,817)	182,846	(182,846)
- Unlisted equity securities and Collective investment schemes	Price - Market comparable approach	Discount for lack of marketability	1,633,227	(1,633,227)	1,374,806	(1,374,806)

Favourable and unfavourable changes are determined on the basis of the value of the instrument as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amendable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset is affected by more than one unobservable assumptions, the above table reflects the most favourable or most unfavourable change from varying the assumptions individually.

The valuations are assessed on an asset by asset basis using a valuation methodology appropriate to the specific investment, in line with industry practice. In many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicator including, for example, multiples for comparable listed companies and discounts for marketability.

The majority of insurance contracts is measured under VFA, to the extent the favourable and unfavourable change in the fair value of the assets due to varying the levels of the unobservable parameters, which are attributable to policyholders, an offsetting amount will be recognised in insurance finance income or expenses and absorbed in CSM balance. Accordingly, impact on the profit after tax for the year and shareholders' equity as at year end would not be material. For the sensitivity analysis regarding the market risk factors impacting insurance and reinsurance contracts held by the Company, please refer to Note 14(f)(i).

16 Financial instruments (continued)

(g) Fair value (continued)

(v) Transfer between Level 1 and Level 2

	Debt securities and accreting loans measured at FVPL	
	2025	*2024*
	$'000	$'000
Transfer from Level 2 to Level 1	11,324,572	2,936,475
Transfer from Level 1 to Level 2	4,760,615	247,963

	Debt securities measured at FVOCI	
	2025	*2024*
	$'000	$'000
Transfer from Level 2 to Level 1	5,601	4,782

Transfer between levels of the fair value hierarchy is deemed to occur at the end of each quarter. Transfer into and out of levels of the fair value hierarchy is primarily attributable to observability of valuation inputs and price transparency.

(vi) Fair value of financial instruments not measured at fair value

All financial instruments are measured at amounts not materially different from their fair values as at 31 December 2025 and 2024 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount	*Fair value*	*Fair value measurements as at 31 December 2025 categorised into*		
	2025	*2025*	*Level 1*	*Level 2*	*Level 3*
	$'000	$'000	$'000	$'000	$'000
Debt securities measured at amortised cost	5,908,276	5,403,736	1,170,799	4,232,937	-

	Carrying amount	*Fair value*	*Fair value measurements as at 31 December 2024 categorised into*		
	2024	*2024*	*Level 1*	*Level 2*	*Level 3*
	$'000	$'000	$'000	$'000	$'000
Debt securities measured at amortised cost	8,835,915	8,237,257	2,318,743	5,918,514	-

Valuation techniques and inputs used in Level 1 and 2 fair value measurements are disclosed in Note 16(g)(i).

(h) Interests in collective investment schemes

Included in financial assets measured at FVPL on the Company's balance sheet are certain investments in collective investment schemes in which they 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, private equity funds, private credit funds and infrastructure funds established by the related companies or third parties. These schemes provide the Company with a variety of investment opportunities through managed investment strategies.

16 Financial instruments (continued)

(h) Interests in collective investment schemes (continued)

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk 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 and the outstanding capital commitments to invest in several private equity funds for funding future private equity investments in global companies under respective investment contracts (see Note 24).

(i) Derivative financial instruments

The following table shows the marked-to-market value of assets and liabilities by each class of derivatives.

	2025	
	Derivative assets	*Derivative liabilities*
	$'000	$'000
Exchange rate contracts:		
- spot and forward foreign exchange	83,409	214,803
- currency swaps	2	-
	83,411	214,803
Equity and other contracts:		
- bond forwards	-	471
	-	471
	83,411	215,274

	2024	
	Derivative assets	*Derivative liabilities*
	$'000	$'000
Exchange rate contracts:		
- spot and forward foreign exchange	65,370	75,624
- currency swaps	4,443	3,692
	69,813	79,316
Equity and other contracts:		
- equity option purchased	91,233	80,908
	91,233	80,908
	161,046	160,224

16 Financial instruments (continued)

(j) Underlying items of contracts with direct participation features

As at 31 December 2025, the fair value of the underlying items of the Company's participating contracts with direct participation features is approximately HK$207,931,889,000 (2024: HK$170,763,908,000), which include investment property, equities, debt securities, collective investment schemes, derivatives, accreting loans, cash and deposit balances and others.

17 Other assets

	2025	*2024*
	$'000	$'000
No more than twelve months after the reporting period	1,996,018	1,732,801
More than twelve months after the reporting period	2,652	2,658
	1,998,670	1,735,459

18 Placings with and advances to banks and other financial institutions

	2025	*2024*
	$'000	$'000
Placings with and advances to banks and other financial institutions	11,748,204	6,684,363

19 Cash and cash equivalents and other cash flow information

	2025	*2024*
	$'000	$'000
With the intermediate holding company	1,911	130,037
With the immediate holding company	1,632,010	3,135,462
With third parties	66	91
Cash in hand	5	14
Cash and deposit balances	1,633,992	3,265,604

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

(a) Cash and cash equivalents comprise:

	2025 $'000	*2024* $'000
Cash and deposit balances	1,633,992	3,265,604
Treasury bills with less than three months' maturity from the date of acquisition	2,628	5,080,324
Placings with and advances to banks and other financial institutions	11,748,204	6,684,363
Cash and cash equivalents in the cash flow statement	13,384,824	15,030,291

(b) *Reconciliation of profit before taxation to cash generated from operations:*

	2025 $'000	*2024* $'000
Profit before tax	3,402,688	2,829,000
Adjustments for:		
Foreign exchange gains and losses, net	-	2,121
Net investment income	(17,935,226)	(6,159,632)
Changes in:		
Increase in insurance and reinsurance contract assets/liabilities	39,240,507	13,644,640
Increase in investment assets backing insurance contracts	(26,900,711)	(9,034,037)
Decrease in other assets	753	460,769
Decrease in liabilities under investment contracts	(45,553)	(28,225)
(Decrease)/increase in other liabilities	(321,695)	926,122
Interest received	4,954,175	4,958,760
Dividend received	1,810,224	1,535,500
Hong Kong profits tax paid	(2,452,692)	(650,694)
Net cash generated from operations	1,752,470	8,484,324

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

(c) Reconciliation of liabilities arising from financing activities:

	Subordinated loan $'000 (Note 21)	*Repurchase agreements* $'000	*Total* $'000
At 1 January 2025	1,096,512	-	1,096,512
Cash items:			
Proceeds from new issue	-	-	-
Repayments	-	-	-
Interest paid	(60,953)	-	(60,953)
Total changes from financing cash flows	(60,953)	-	(60,953)
Other changes:			
Exchange adjustment	-	-	-
Finance costs	53,864	-	53,864
Total other changes	53,864	-	53,864
At 31 December 2025	1,089,423	-	1,089,423

	Subordinated loan $'000 (Note 21)	*Repurchase agreements* $'000	*Total* $'000
At 1 January 2024	1,095,863	2,078,734	3,174,597
Cash items:			
Proceeds from new issue	-	3,701,787	3,701,787
Repayments	-	(5,735,346)	(5,735,346)
Interest paid	(61,242)	(101,556)	(162,798)
Total changes from financing cash flows	(61,242)	(2,135,115)	(2,196,357)
Other changes:			
Exchange adjustment	-	2,121	2,121
Finance costs	61,891	54,260	116,151
Total other changes	61,891	56,381	118,272
At 31 December 2024	1,096,512	-	1,096,512

20 Liabilities under investment contracts

	2025	*2024*
	$'000	$'000
Total liabilities under investment contracts - fair value		
Non-linked	160,892	196,983
Linked	59,257	47,918
	220,149	244,901

Analysis of movement in liabilities under investment contracts

	Non-linked		*Linked*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January	196,983	210,346	47,918	53,426	244,901	263,772
Benefits paid	(52,061)	(22,530)	(1,032)	(15,105)	(53,093)	(37,635)
Benefits incurred	16,470	10,332	12,668	10,539	29,138	20,871
Fees charged	(723)	(793)	(629)	(643)	(1,352)	(1,436)
Foreign exchange and other movements	223	(372)	332	(299)	555	(671)
At 31 December	160,892	196,983	59,257	47,918	220,149	244,901

21 Subordinated loan

Amount owed to an immediate holding company:

	Note	*2025*	*2024*
		$'000	$'000
Principal		1,045,000	1,045,000
Interest payable		44,423	51,512
	19(c)	1,089,423	1,096,512

Nominal value	*Description*	*2025*	*2024*
		$'000	$'000
HK$1,045 million	Floating rate subordinated loan due February 2030 (Note i)	1,045,000	1,045,000
		1,045,000	1,045,000
Representing:			
- measured at amortised cost		1,045,000	1,045,000

Note: (i) Interest rate at six-month HK dollar HIBOR plus 126bps per annum, payable annually, to the due date.

Interest on the subordinated loan is expensed in the income statement in the period in which it is incurred.

The interest payable on subordinated loan is dealt with under other liabilities (Note 22).

22 Other liabilities

	2025	*2024*
	$'000	$'000
No more than twelve months after the reporting period	2,661,408	2,979,823
More than twelve months after the reporting period	6,523	9,905
	2,667,931	2,989,728

23 Capital, reserves and dividend

(a) Share capital

Issued share capital

	2025		*2024*	
	No. of shares	$'000	*No. of shares*	$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	642,618,457	6,426,185	642,618,457	6,426,185

The ordinary shares of the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) General reserve

General reserve represents sums set aside for general purposes, the application of which requires approval by the Board of Directors.

(ii) Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of debt securities measured at FVOCI held at the balance sheet date and is dealt with in accordance with the accounting policies in Notes 1(j) and (q).

(c) Capital management

The Company's primary objectives when managing capital are to maintain a strong capital base to support the risks inherent in its business, to invest in accordance with the Company's strategy and to meet regulatory capital requirements at all times. The Company recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance.

23 Capital, reserves and dividend (continued)

(c) Capital management (continued)

The Company's capital management adopts a risk-based approach. Assets and liabilities are measured on a market value basis and a capital requirement is defined to ensure that there is a less than 1-in-200 chance of insolvency over a one-year time horizon, given the risks that the business is exposed to. The risk-based capital approach is largely aligned to the HSBC Group's economic capital basis as well as the recent HKRBC being developed. The HKRBC ratio (economic net asset value divided by the HKRBC requirement) is a key risk appetite measure. Management has set out the warning trigger and tolerance threshold so as to ensure there are buffers for the Company to remain solvent, allowing for business-as-usual volatility and extreme but plausible stress events and as triggers in which management actions are required.

(d) Dividend

Dividend paid to equity shareholders of the Company attributable to the financial year:

	2025	2024
	$	$
First interim dividend declared and paid of $1.40 (2024: $1.37) per share	900,052	880,002
Second interim dividend declared and paid of $2.31 (2024: $1.79) per share	1,486,055	1,150,030
	2,386,107	2,030,032

24 Capital commitments

The outstanding capital commitments not provided for in the financial statements at 31 December 2025 amounted to HK$19,251,975,000 (2024: HK$12,945,675,000).

The capital commitments include the commitments to invest in debt securities, alternative investments and several private equity funds for funding future private equity investments in global companies under respective investment contracts.

25 Material related party transactions

During 2025 and 2024, the Company entered into transactions with group companies in the ordinary course of its insurance business and investing activities.

(a) *Investments and cash placed through group companies*

(i) Balances at year end

	2025				2024			
	Intermediate holding companies $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000	*Intermediate holding companies* $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000
Derivatives	36	(131,899)	-	-	(5,427)	6,249	-	-
Collective investment schemes	-	-	18,372,280	-	-	-	7,374,673	-
Placings with and advances to banks and other financial institutions	10,259,693	-	-	-	6,459,731	-	-	-
Cash and deposit balances	1,911	1,632,010	-	-	130,037	3,135,462	-	-
Loan to a subsidiary	-	-	-	306,544	-	-	-	310,196
	10,261,640	1,500,111	18,372,280	306,544	6,584,341	3,141,711	7,374,673	310,196

(ii) Investment income generated from group companies for the year

	2025				2024			
	Intermediate holding companies $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000	*Intermediate holding companies* $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000
Interest on bank deposits	76,414	51	-	-	102,780	175	-	-
Interest on loan to a subsidiary	-	-	-	13,518	-	-	-	18,409
Other investment (loss)/income	(625,079)	(373,365)	2,117,592	-	226,025	(129,176)	317,908	-
Dividend income	-	-	171,012	81,142	-	-	367,225	81,142
	(548,665)	(373,314)	2,288,604	94,660	328,805	(129,001)	685,133	99,551

25 Material related party transactions (continued)

(b) Other balances with group companies

	2025			2024		
	Immediate holding company $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000	*Subsidiary* $'000
Assets						
Other assets	-	81	21	521	226	21
	-	81	21	521	226	21
Liabilities						
Subordinated loan	1,045,000	-	-	1,045,000	-	-
Other liabilities	1,346,736	160,563	-	773,899	77,193	-
	2,391,736	160,563	-	1,818,899	77,193	-

The subordinated loan is unsecured, interest-bearing and have fixed terms of repayment.

25 Material related party transactions (continued)

(c) Other transactions with group companies during the year

(i) Finance costs

	2025		*2024*	
	Intermediate holding companies $'000	*Immediate holding company* $'000	*Intermediate holding companies* $'000	*Immediate holding company* $'000
Interest on subordinated loan	-	53,864	-	61,891
Interest on repurchase agreements	-	-	-	54,260
	-	53,864	-	116,151

(ii) Purchase of services

	2025		*2024*	
	Immediate holding company $'000	*Fellow subsidiary companies* $'000	*Immediate holding company* $'000	*Fellow subsidiary companies* $'000
Acquisition costs	1,072,894	-	854,261	-
Investment management fees	-	213,917	-	164,494
Custodian fee	-	32,432	-	30,121
Other administration and support services	707,128	71,125	660,082	90,533
	1,780,022	317,474	1,514,343	285,148

Part of the above expenses are classified as expenses directly attributable to acquiring ("DAAC") or maintaining ("DAMC") the insurance contracts. DAAC is dealt with in insurance service results through amortisation over the period of the contracts and DAMC is directly dealt with insurance service results.

25 Material related party transactions (continued)

(c) Other transactions with group companies during the year (continued)

(iii) A guarantee was given by the immediate holding company on the investment return of one of the Company's investment portfolios backing non-linked investment contracts whereby the immediate holding company will reimburse the Company with the amount of shortfall should the return of the said portfolio fall below the agreed percentage while the Company will pay the excess return to the immediate holding company should the return exceed the agreed percentage. The excess return incurred during the year was HK$574,000 (2024: shortfall of HK$521,000) and the amount payable at the year end was HK$574,000 (2024: amount receivable of HK$521,000).

(d) Key management personnel remuneration

Key management includes all directors of the Company.

	2025	*2024*
	$'000	$'000
Fees	1,129	1,071
Short-term employee benefits	1,566	2,416
Retirement scheme contributions	96	203
	2,791	3,690

(e) Transactions with key management personnel

During the years ended 31 December 2025 and 2024, no material transaction was conducted with the key management personnel of the Company and parties related to them as well as the group companies.

26 Immediate and ultimate controlling party

At 31 December 2025 and 2024, the directors consider the immediate parent of the Company to be Hang Seng Bank Limited, a company incorporated in Hong Kong, and the ultimate controlling party of the Company to be HSBC Holdings plc, a company incorporated in England. Both entities produce financial statements that are available for public use.

27 Possible impact of new and amended standards and interpretations issued that are not yet effective for the year ended 31 December 2025

Up to the date of issue of the financial statements, the HKICPA has issued a number of new and amended standards and interpretations issued which are not yet effective for the year ended 31 December 2025 and which have not been adopted in the financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRS Accounting Standards – Volume 11 - Amendments to HKFRS7, *Financial instruments: disclosures and its accompanying guidance on implementing HKFRS7*	1 January 2026
Amendments to HKFRS 9 and HKFRS 7, *Financial Instruments and Financial Instruments: Disclosures: Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
HKFRS 18, *Presentation and Disclosure in Financial Statements*	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. As the Company has not completed its assessment on the expected impacts of the new and amended standards, further impacts may be identified in due course.

28 Approval of financial statements

The financial statements were approved by the Board of Directors on 13 February 2026.