ZURICH LIFE INSURANCE (HONG KONG) LIMITED
蘇黎世人壽保險(香港)有限公司
(Incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

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ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS

The directors of Zurich Life Insurance (Hong Kong) Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2025.

Principal activities

The principal activity of the Company is to underwrite Class A and Class C long-term insurance business in Hong Kong.

Ultimate holding company

Zurich Insurance Holdings (Hong Kong) Limited is the sole shareholder of the Company. The ultimate holding company is Zurich Insurance Group Ltd.

Business review

The Company is dedicated to building a strong foundation in the Hong Kong life insurance market, which offers long-term opportunities supported by attractive demographics, a mature regulatory framework, and further integration within the Greater Bay Area. Our strategy centers on providing customers with professional advice through a holistic Business-to-Business-to-Consumer (B2B2C) model, primarily working with Independent Financial Advisors (IFA). We also leverage our global brand and local expertise to offer direct sales solutions.

Over the past year, the Company has taken decisive steps to enrich our life product shelf. The launch of Swiss Fortune Premier has drawn growing interest from brokers and customers, and preparations for the Swiss Prime Par product further demonstrate our commitment to meeting diverse customer needs, especially in areas such as wealth accumulation and succession planning. Our Investment-Linked Assurance Scheme (ILAS) products permissible under the Capital Investment Entrant Scheme (CIES), including Matterhorn (Single-premium ILAS) and Swiss Elite (Regular-premium PLP), have been successful in attracting potential customers.

The Company will continue to diversify both our product portfolio and distribution network, aiming to reach a wider mix of onshore and offshore customers and underline our cross-border expertise. Investment in digital innovation will remain a priority, with continued enhancements making it easier for customers to access information and manage their Zurich Life and General Insurance policies anytime and anywhere. These digital advancements reflect our commitment to transparency, convenience, and personalized service.

Looking ahead, the Company will continue to strengthen our life business and remain focused on building momentum through innovation, collaboration, and expanding our product and service portfolio to create a brighter future for all stakeholders. At the heart of everything we do is our purpose—to create a brighter future together.

Results and appropriations

The results of the Company for the year ended 31 December 2025 are set out in the income statement and statement of comprehensive income on page 9 and page 10.

The Directors do not recommend the payment of a dividend (2024: the Directors did not recommend the payment of a dividend).

Shares issued

No shares were issued during the year. Details of the shares issued in the year ended 31 December 2025 are set out in Note 13 to the financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS (CONTINUED)

Reserves

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 11.

Charitable donations

The Company did not make any charitable donations during the year (2024: Nil).

Directors

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

Executive directors

HUI Kam Kwai	
NOBLE Martin Alan	
QIN Jim	Appointed on 11 July 2025
YUAN Fang	

Independent non-executive directors

CHU Wing Yiu
KWAN Angelina Agnes

In accordance with the provision in the Company's Articles of Association in connection with the retirement of directors, all existing directors retire and, being eligible, offer themselves for re-election.

Controllers

The controllers of the Company during the year and up to the date of this report are:

Zurich Insurance Group Ltd	
Zurich Insurance Company Ltd	
Zurich Insurance Holdings (Hong Kong) Limited	
GRECO Mario	
HUI Kam Kwai	
QIN Jim	Appointed on 11 July 2025
YUAN Fang	Resigned on 1 May 2025

Directors' and controllers' interests in contracts of significance

Other than as disclosed in Note 21 to the financial statements, no contract of significance to which the Company was a party and in which a director or controller of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

Directors' and controllers' rights to purchase shares and debentures

At no time during the year was the Company a party to any arrangements to enable the directors or individual controllers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
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REPORT OF THE DIRECTORS (CONTINUED)

Directors' and controllers' interests in property, payments, loans advanced or obligations assumed

No properties were transferred, payments made, loans advanced to or obligations assumed by or for a director or a controller of the Company, his nominees or associates during the year.

Management contracts

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

Permitted indemnity provisions

During the year and up to the date of this report, there was a permitted indemnity provision in force for the benefit of any of the Directors of the Company.

Summary of material reinsurance arrangements

During the year, the Company had a reinsurance arrangement placed with Zurich Insurance Company Ltd in respect of the Company's life business. This reinsurance arrangement was effective as at the reporting date.

Auditor

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

On behalf of the Board

....
HUI Kam Kwai
Director

Hong Kong
27 April 2026

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

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

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

Independent auditor's report
To the directors of Zurich Life Insurance (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Zurich Life Insurance (Hong Kong) Limited (the "Company") set out on pages 7 to 81, which comprise the statement of financial position as at 31 December 2025, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 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* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Responsibilities of the directors and those charged with governance for the financial statements

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

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

Independent auditor's report (continued)
To the directors of Zurich Life Insurance (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

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

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

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

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

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Independent auditor's report (continued)
To the directors of Zurich Life Insurance (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor report is PAK, Suet Shum, Angela (practising certificate number: P06574).

Ernst & Young

Certified Public Accountants
Hong Kong
27 April 2026

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	As at 31 December 2025	2024
		HK$	HK$
Assets			
Right-of-use assets	5	5,807,983	3,239,962
Property, plant and equipment	6	1,024,152	2,602,945
Intangible assets	7	13,937,113	15,614,156
Insurance contract assets	11	2,088,358	853,989
Reinsurance contract assets	11	236,662,102	202,073,622
Equity funds at fair value through profit or loss	8.2	188,675,982	112,330,653
Unit-linked funds - at fair value through profit or loss	8.2	3,492,550,896	2,097,545,955
Debt securities			
- fair value through other comprehensive income	8.1	1,882,959,959	1,883,082,022
- fair value through profit or loss	8.2	87,918,489	91,053,608
Receivables and other assets	8.4	37,941,725	39,360,654
Derivative financial instruments	8.3	-	393,941
Cash and cash equivalents	9	318,415,097	102,776,404
Total assets		6,267,981,856	4,550,927,911
Liabilities			
Liabilities for investment contracts	10	371,703,485	354,528,548
Insurance contract liabilities	11	5,293,848,464	3,646,824,748
Reinsurance contract liabilities	11	23,006,601	23,177,457
Other liabilities	12	112,844,688	113,466,484
Lease liabilities	5	5,725,989	2,542,363
Derivative financial instruments	8.3	811,279	-
Income tax liabilities	20.2	6,544,256	2,488,864
Total liabilities		5,814,484,762	4,143,028,464

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
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STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2025

	Notes	As at 31 December 2025	2024
		HK$	HK$
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	1,181,200,000	1,181,200,000
Accumulated losses		(273,604,363)	(242,486,635)
Investment revaluation reserve		(224,819,489)	(317,275,778)
Insurance/reinsurance finance reserve		104,951,927	120,692,841
Other reserve		(334,230,981)	(334,230,981)
Total equity		453,497,094	407,899,447
Total liabilities and equity		6,267,981,856	4,550,927,911

The financial statements on pages 7 to 81 were approved by the Board of Directors on 27 April 2026 and were signed on its behalf.

....
Director
HUI Kam Kwai

....
Director
Martin Alan NOBLE

The notes on pages 13 to 81 are an integral part of these financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	As at 31 December 2025 HK$	2024 HK$
Insurance revenue	14	332,537,459	260,168,938
Insurance services expenses	11	(237,796,049)	(152,218,228)
Net income / (expenses) from reinsurance contracts held	15	958,494	(28,968,788)
Insurance service result		95,699,904	78,981,922
Net investment income		91,181,738	83,190,263
Net realised losses on financial assets at fair value through other comprehensive income		(35,271,429)	(11,294,182)
Impairment recovery on financial assets		2,360	274,535
Net fair value gain on financial assets at fair value through profit or loss		364,541,944	95,480,686
Net realised and unrealised losses on derivative financial instruments		(9,289,440)	(2,316,488)
Net foreign exchange gains / (losses)		12,997,129	(6,865,376)
Change in liabilities for investment contracts		(47,171,083)	(16,634,729)
Total investment income	16	376,991,219	141,834,709
Insurance finance expenses for insurance contracts issued	16	(378,294,054)	(153,284,719)
Reinsurance finance income for reinsurance contracts held	16	3,200,861	3,793,486
Net insurance financial result		(375,093,193)	(149,491,233)
Fee income	17	45,561	2,848,882
Other income	18	2,405,504	2,118,335
Other operating expenses	19	(117,930,724)	(115,729,498)
Other result		(115,479,659)	(110,762,281)
Loss before income tax		(17,881,729)	(39,436,883)
Income tax expense	20.1	(13,235,999)	(4,575,195)
Loss for the year		(31,117,728)	(44,012,078)

The notes on pages 13 to 81 are an integral part of these financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	As at 31 December	
		2025	2024
		HK$	HK$
Loss for the year		(31,117,728)	(44,012,078)
Change in fair value of financial assets		57,187,220	(98,313,294)
Amount reclassified to profit or loss		35,269,069	11,067,405
Debt instruments at fair value through other comprehensive income	16	**92,456,289**	**(87,245,889)**
Insurance finance (expenses) / income for insurance contracts issued	16	(45,087,483)	19,065,106
Reinsurance finance income for reinsurance contracts held	16	29,346,569	8,248,194
Net insurance financial result		**(15,740,914)**	**27,313,300**
Total other comprehensive income		76,715,375	(59,932,589)
Total comprehensive income for the year		**45,597,647**	**(103,944,667)**

The notes on pages 13 to 81 are an integral part of these financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to equity holders of the Company					
	Share capital HK$	Accumulated losses HK$	Investment revaluation reserve HK$	Insurance/ reinsurance finance reserve HK$	Other reserve[1] HK$	Total HK$
Balance as 1 January 2024	**1,181,200,000**	**(198,474,557)**	**(230,029,889)**	**93,379,541**	**(334,230,981)**	**511,844,114**
Loss for the year	-	(44,012,078)	-	-	-	(44,012,078)
Other comprehensive income for the year	-	-	(87,245,889)	27,313,300	-	(59,932,589)
Total other comprehensive income for the year	**-**	**(44,012,078)**	**(87,245,889)**	**27,313,300**	**-**	**(103,944,667)**
Balance as 31 December 2024	**1,181,200,000**	**(242,486,635)**	**(317,275,778)**	**120,692,841**	**(334,230,981)**	**407,899,447**
Loss for the year	-	(31,117,728)	-	-	-	(31,117,728)
Other comprehensive income for the year	-	-	92,456,289	(15,740,914)	-	76,715,375
Total other comprehensive income for the year	-	**(31,117,728)**	**92,456,289**	**(15,740,914)**	**-**	**45,597,647**
Balance as 31 December 2025	**1,181,200,000**	**(273,604,363)**	**(224,819,489)**	**104,951,927**	**(334,230,981)**	**453,497,094**

[1] Other reserve represents the amount generated as a result of the Portfolio Transfer event as disclosed in Note 1. The amount was derived from the difference between the total consideration paid for the Portfolio Transfer and the adjusted net assets value of the portfolio being transferred.

The notes on pages 13 to 81 are an integral part of these financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK$	2024 HK$
Net cash generated from / (used in) operations	23	241,361,871	(50,575,910)
Interest paid		(17,947,035)	(8,899,893)
Hong Kong profits tax paid		(9,180,607)	(2,086,331)
Net cash generated from / (used in) operating activities		214,234,229	(61,562,134)
Net cash used in investing activity		-	-
Cash flows from financing activity			
Principal payment of lease liabilities	5	(1,940,988)	(1,940,988)
Net cash used in financing activity		(1,940,988)	(1,940,988)
Net increase / (decrease) in cash and cash equivalents		212,293,241	(63,503,122)
Cash and cash equivalents at beginning of year		102,776,404	166,987,929
Effect of foreign exchange rate changes		3,345,452	(708,403)
Cash and cash equivalents at end of year	9	318,415,097	102,776,404

The notes on pages 13 to 81 are an integral part of these financial statements.

ZURICH LIFE INSURANCE (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Zurich Life Insurance (Hong Kong) Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is 25-26/F, One Island East, 18 Westlands Road, Island East, Hong Kong.

The Company has been underwriting long-term insurance business in Hong Kong since 23 March 2020 when the Insurance Authority issued a Certificate of Authorisation (the "Certificate") for carrying on Class A (Life and Annuity) and Class C (Linked Long Term) long term business in Hong Kong. In May 2021, the Company commenced to underwrite unit-linked insurance business in Hong Kong. Since then, the principal activities of the Company are to carry on Individual Life and Annuity and Linked Long Term Businesses.

On 23 August 2021, the application for the portfolio transfer of Zurich Life Insurance Company Ltd ("ZLIC") of its Hong Kong Branch portfolio to the Company has been approved by the Court of First Instance in accordance with section 24 of the Insurance Ordinance. All assets and liabilities of ZLIC Hong Kong Branch were transferred to the Company on 1 September 2021 according to the Transfer Agreement made between both parties on 24 August 2021.

The financial statements have been prepared from the records of the Company and reflect transactions recorded locally on the basis of the material accounting policies set out in note 2 to the financial statements.

The financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 Material accounting policies

The material accounting policies applied in the preparation of this financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which as a collective term, includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations as issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Company's financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through other comprehensive income, financial assets (including derivative financial instruments) and financial liabilities at fair value through profit or loss, which are carried at fair value. The measurement of insurance and reinsurance contract assets and liabilities as the basis of fulfilment cashflows is further explained in note 2.12 and note 3.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2 Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Changes in accounting policies and disclosures

The Company has applied the following revised HKFRS Accounting Standards for the first time for the current year's financial statements:

Amendments to HKAS 21	*Lack of Exchangeability*

The nature and the impact of the revised HKFRSs that are applicable to the Company are described below:

Amendments to HKAS 21 Lack of Exchangeability

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Company had transacted in and the functional currencies of overseas fellow subsidiaries and head office for translation into the Company's presentation currency were exchangeable, the amendments did not have any impact on the Company's financial statements.

2 Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Issued but not yet effective HKFRS Accounting Standards

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2025 in these financial statements.

HKFRS 18	*Presentation and Disclosure in Financial Statements (apb 1 January 2027)*
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments (apb 1 January 2026)*
Annual improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS7 (apb 1 January 2026)*

“apb” means effective for annual periods beginning on or after

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Company is described below.

<u>Amendments to HKAS 18 Presentation and Disclosure in Financial Statements</u>

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company’s financial statements.

2 Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Issued but not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The Company is considering the impact of the amendments and the timing of its application.

Annual Improvements to HKFRS Accounting Standards – Volume 11 Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

Details of the amendments that are expected to be applicable to the Company are as follows:

- HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

2 Material accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Issued but not yet effective HKFRS Accounting Standards (Continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 (Continued)

- HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

- HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currencies classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

2 Material accounting policies (Continued)

2.2 Foreign currency translation (Continued)

(b) Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income included in the investment revaluation reserve in equity.

2.3 Related parties

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

(a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company; or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.4 Financial assets

(i) Classification

The Company classifies its financial assets in the following categories:

- at fair value through profit or loss ("FVTPL")
- at fair value through other comprehensive income ("FVOCI")
- at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

2 Material accounting policies (Continued)

2.4 Financial assets

(i) Classification (continued)

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Financial assets measured at amortised cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

- FVOCI: Financial assets that held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised within "Net realised losses on financial assets at fair value through other comprehensive income". Interest income from these financial assets is included in "Net investment income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Net foreign exchange gains/losses" and impairment expenses are presented as separate line item in the income statement.

2 Material accounting policies (Continued)

2.4 Financial assets (Continued)

(iii) Measurement (continued)

Debt instruments (continued)

- FVTPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Net fair value gains/(losses) on financial assets at fair value through profit or loss" in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at FVTPL. Changes in the fair value are recognised in "Net fair value gains/losses on assets at fair through profit or loss" in the income statement as applicable.

(iv) Impairment

The Company recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- Financial assets at amortised cost (including cash and cash equivalents and receivables and other assets); and
- Debt instruments measured at FVOCI (recycling).

Other financial assets measured at fair value, including equity and debt securities measured at FVTPL are not subject to the ECL assessment.

Measurement of ECLs

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions (i.e. on a forward-looking basis). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

2 Material accounting policies (Continued)

2.4 Financial assets (Continued)

(iv) Impairment (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss under "Amount reclassified to profit or loss" in the statement of comprehensive income, and under "Impairment (loss) / recovery on financial assets" in the income statement. The Company recognises an impairment loss or reversal of impairment loss for financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

(v) Offsetting

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

2 Material accounting policies (Continued)

2.5 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "Net realised and unrealised losses on derivative financial instruments".

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in liabilities on the statement of financial position.

2.7 Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Payables

Payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.9 Current and deferred income tax

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Hong Kong where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Material accounting policies (Continued)

2.9 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

2 Material accounting policies (Continued)

2.11 Insurance and investment contracts classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company determines whether it has significant insurance risk as follows:

- The level of insurance risk is deemed significant if the percentage of insurance risk transfer is greater than 10%

- If the percentage of insurance risk transfer is between 5% - 10%, Zurich Group Accounting Policy Team should be contacted to confirm the classification of whether the contract has significant insurance risk

- If the percentage of insurance risk transfer is below 5%, the contract is an investment contract

The percentage of insurance risk transfer could be calculated for example, as the (PV benefits that would be paid if the insured event occurred – PV benefits that would be paid if no insured event occurred)/PV benefits that would be paid if no insured event occurred.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature (“DPF”). This feature entitles the holder to receive additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;

- whose amount and / or timing is contractually at the discretion of the Company; and

- that are contractually based on the investment performance in the non-unit linked fund

2.12 Insurance contracts and investment contracts accounting treatment

(a) *Separating components*

The Company assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain any of the following components which need to be separated and accounted for under another HKFRS Standard:
- Embedded derivative
- Investment component that is distinct
- Any promise to transfer to a policyholder distinct goods or services other than insurance contract services

(b) *Level of aggregation*

The level of aggregation is determined by dividing the business written into portfolios comprising contracts subject to similar risks and managed together. Portfolios are further divided into annual cohorts with contracts issued no more than one year apart, which are divided into groups of contracts based on their expected profitability: (i) onerous contracts, if any; (ii) profitable contracts with no significant possibility of becoming onerous, if any; and (iii) remaining contracts, if any.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(c) Contract boundary

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

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied: (i) the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and (ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

(d) Measurement models

The Company issues life insurance products on an individual basis, including term insurance, universal life, participating and unit-linked products. The majority of such insurance contracts are long-term and measured under the building block approach (BBA). Unit-linked insurance contracts include policyholder participation features. Such contracts are classified as direct participating contracts and measured under the variable fee approach (VFA) if, at inception, all of the following criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- 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.

Some participating contracts do not meet the above criteria to be measured under VFA because of either the Company's discretion over the cash flows to be paid to policyholders (either in their timing or in their amount), or absence of a clearly identifiable pool of underlying items. Those contracts are accounted for under indirect participating BBA and presented as contracts measured under BBA.

(e) Insurance acquisition cash flows ("IACF")

Insurance acquisition costs are selling, underwriting and initiating costs typically incurred prior to or at the start of the coverage period of a contract that are directly attributable to the acquisition of portfolios of insurance contracts.

The Company allocates IACF to groups of insurance contracts in a systematic and rational way. IACF are amortised in a systematic way over the coverage period using the same pattern as for insurance revenue recognition.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(f) Insurance revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts. The insurance revenue recognised in the period consists of:

- Expected insurance service expenses incurred in the period
- Change in risk adjustment for non-financial risk
- Amount of Contractual Service Margin ("CSM") recognised in profit or loss
- Other amounts including experience adjustments for premium receipts other than those that relate to future service
- Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows

(g) Insurance service expenses

These expenses consist of claims and other insurance service expenses that the Company incurs in order to fulfill its obligations toward the policyholders that arise within the contract boundary of the underlying (re-)insurance contracts. They also include amortisation of insurance acquisition cash flows and losses on groups of onerous contracts and reversals of such losses. Costs incurred that cannot be directly attributed to portfolios of insurance contracts are excluded.

(h) Loss components

The loss component represents a notional record of the losses attributable to each group of onerous insurance contracts. The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts.

(i) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from (i) the effect of the time value of money and changes in the time value of money; and (ii) the effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(i) Insurance finance income or expenses (continued)

The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the following rates:

For groups of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders (e.g., term life contracts), the systematic allocation is determined using a risk-free rate that is locked at the inception of the group of contracts.

For groups of contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders (e.g., universal life contracts), the systematic allocation is determined using a rate that allocates the remaining revised expected insurance finance income or expense over the remaining duration of the group of contracts at a constant rate.

(j) Investment components

Investment components that are not separated based on the requirements outlined above are accounted for as part of the underlying insurance contract. Such investment components, which are treated as non-distinct components, represent amounts that the Company is required to repay to a policyholder under the terms of the insurance contract in all circumstances, regardless of whether an insured event occurs. For most life products, the Company defines the cash surrender value as the non-distinct investment component. Any cash flows related to investment components are excluded from insurance revenue and insurance service expenses.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Company generally compares the size of sum assured (insurance coverage) and the fund value (investment services).

(k) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts that arises from non-financial risk (insurance risk and other non-financial risk such as lapse risk).

The Company estimates the risk adjustment using a confidence level approach, taking into account the Zurich Group's internal view of the level of capital required in order to continue operating on a going-concern basis based on the Group's target Swiss Solvency Test ("SST") ratio. The confidence levels fall within the following ranges: 90–95 percent for long-duration (re-)insurance contracts.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(k) Risk adjustment for non-financial risk (continued)

The risk adjustment for the reinsurance contracts held is determined consistently with the risk adjustment for insurance contracts issued.

The Company disaggregates the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expense, and the latter between profit or loss and OCI, so that the movement in risk adjustment resulting from changes in discount rates is presented in OCI.

(l) Recognition and measurement

(i) Long term insurance contracts with / without fixed terms and without DPF (Protection Plans) & Long term insurance contracts with / without fixed terms and with DPF (Universal Life and Participating)

These contracts insure events associated with human life (for example death, or survival) over a long duration. The accounting approach is non-participating BBA for Protection Plans, and indirect participating BBA for Universal Life contracts.

Each group of contracts under BBA is measured as the sum of the fulfilment cash flows, comprising (i) estimates of future cash flows and (ii) risk adjustment for non-financial risk, and (iii) the CSM. The estimates of the future cash flows represent a current, present value, probability-weighted estimate that is consistent with observable market information and is adjusted to reflect financial risk. The CSM represents the margin the Company is charging for the service it provides in addition to the compensation it requires for bearing risk.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Benefits payments to policyholders
- An allocation of attributable insurance acquisition cash flows and policy administration and maintenance costs
- Directly attributable fixed and variable overheads

On initial recognition, the CSM is measured as the difference between the expected present value of cash inflows and cash outflows, after adjusting for uncertainty and any cash flows received or paid before or on initial recognition.

Subsequently, at the end of each reporting period, each group of contracts is measured as the sum of (i) the liability for remaining coverage reflecting the fulfilment cash flows related to future service; (ii) the CSM; and (iii) the liability for incurred claims reflecting the fulfilment cash flows related to past service. The liability for incurred claims is created when the Company has an obligation to pay valid claims for insured events that already occurred and other amounts related to past services.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(l) Recognition and measurement (continued)

(i) Long term insurance contracts with / without fixed terms and without DPF (Protection Plans) & Long term insurance contracts with / without fixed terms and with DPF (Universal Life and Participating) (Continued)

The Company recognises income and expenses for the following changes in the carrying amount of the liability for remaining coverage ("LRC"):

- Insurance revenue – for the reduction in the LRC due to services provided in the period, excluding any investment components;
- Insurance service expenses – for losses on groups of onerous contracts, and reversals of such losses; and
- Insurance finance income or expense – for the effect of the time value of money and financial risk.

The Company recognises income and expenses for the following changes in the carrying amount of the liability for incurred claims:

- Insurance service expenses – for the increase in liability due to claims and expenses incurred in the period, excluding any investment components, and for any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses; and
- Insurance finance income or expense – for the effect of the time value of money and financial risk.

As part of the subsequent measurement, the fulfilment cash flows are updated to reflect current estimates, and the changes in the fulfilment cash flows are treated as follows:

- Experience adjustments that relate to current or past service are recognised immediately in profit or loss;
- Changes related to future service adjust the CSM measured using the discount rates locked-in at issue;
- Changes resulting from changes in discount rates are presented in OCI. The Company selected the accounting policy of disaggregating the movement in fulfilment cash flows between profit or loss and OCI; and
- Changes in estimate that arise as a result of changes in the application of discretion for groups of indirect participating contracts adjust the CSM.

The CSM at the end of the reporting period is allocated over the current and remaining coverage period based on the coverage units. The coverage units represent the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The CSM allocated to coverage units provided in the period is recognised in profit or loss as insurance revenue.

The risk adjustment is released as part of insurance revenue as the uncertainty associated with the amount and timing of benefit payments is decreased or resolved.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(l) Recognition and measurement (continued)

(ii) Long term insurance contracts without fixed terms and without DPF (Unit-linked)

These contracts insure events associated with human life (for example death, or survival) over a long duration. The accounting approach is VFA for these unit-linked contracts.

The insurance contracts with direct participation features are contracts under which the Company's obligation to the policyholder is the net of:

- The obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- A variable fee that the Company will deduct from the above in exchange for the future service provided by the insurance contract, consisted of the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

The underlying items for unit-linked insurance contracts are the unit-linked account values.

Measurement under VFA reflects the nature of participating contracts; therefore, changes in the amount of entity's share of the fair value of the underlying items relate to future service and adjust the CSM. Similarly, the change in the effect of time value of money and financial risk not arising from the underlying items relates to future service and adjusts the CSM.

Other changes in the fulfilment cash flows are treated consistently with BBA measurements, i.e. they adjust CSM if related to future services, or are recognised immediately in profit or loss if related to current or past service. However, as opposed to BBA, all the adjustments are measured using current discount rates.

Where the underlying items are the net assets or a specified subset of the net assets of the issuing insurance entity, in addition to the participation in the returns from underlying financial assets, the policyholder participates in the risk and/or expense results. While the risk and expense results are included within the insurance service results, the policyholder participation thereon is included within the insurance finance income or expense.

Change in the obligation to pay the policyholder an amount equal to the fair value of the underlying items do not relate to future service and do not adjust the CSM.

For all contracts with direct participation features where the Company holds the underlying items, the Company applies the accounting policy choice of disaggregating insurance finance income or expense for the period to include in profit or loss an amount that eliminates accounting mismatches, with income or expense included in profit or loss on the underlying items held.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(l) Recognition and measurement (continued)

(iii) Investment contracts without DPF (Unit-linked)

The Company issues investment contracts without DPF (Unit-linked).

Investment contracts without DPF are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at fair value through profit or loss.

Amounts collected as premiums from investment contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

Liabilities for investment contracts represent portfolios maintained to meet specific investment objectives of policyholders who bear the investment risk. The liabilities are carried at fair value. The costs of policy administration investment management and surrender charges against the policyholders' account balances are included in policy fee revenue.

The fair value of a unit-linked financial liability is determined using the unadjusted unit values that reflect the fair values of the financial assets contained within the Company's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the date of statement of financial position.

(m) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 2.11 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Reinsurance contracts held are accounted for under BBA. The following differences specifically apply to reinsurance contracts held:

- Classification: Reinsurance contracts held can never be classified as direct participating contracts; hence, measurement under VFA does not apply.
- Recognition of the CSM: as reinsurance contracts cannot be onerous, for the groups of reinsurance contracts held accounted for under BBA, the CSM is recognied regardless of whether the reinsurance contract is a net gain or a net cost for the Company.
- Recognition of the risk of non-performance: The measurement of reinsurance contracts held includes the effect of non-performance risk of the reinsurer which considers the reinsurer's credit rating and the expected recovery period.

2 Material accounting policies (Continued)

2.12 Insurance contracts and investment contracts accounting treatment (Continued)

(m) Reinsurance contracts held (continued)

Reinsurance contracts held are measured using assumptions consistent with the assumptions used for the underlying insurance contracts for the fulfilment cash flows. The risk adjustment for non-financial risk represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Consistent with the underlying insurance contracts, the Company made an accounting policy choice of disaggregating the reinsurance finance income or expense between profit or loss and OCI.

If reinsurance contracts held cover underlying onerous insurance contracts, a loss recovery component is recognised only if the reinsurance contract held was entered into before or at the same time as the underlying onerous insurance contracts. The loss recovery component is measured by reference to the percentage of claims from underlying onerous contracts expected to be recovered from the reinsurance contracts held.

(n) Derecognition and contract modification

The Company derecognises an insurance contract only when the obligation specified in the insurance contract expires or is discharged or canceled, or if the contract is modified in a way that requires derecognition of the original contract and recognition of the new contract with modified terms. The exercise of a right included in the terms of a contract is not a modification.

A reinsurance contract is derecognised when the contractual rights to the cash flows expire.

2.13 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Material accounting policies (Continued)

2.13 Leases (Continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 Material accounting policies (Continued)

2.14 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms
Other categories	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.17).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.15 Revenue recognition

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In addition to insurance premiums described in note 2.12(f), revenue is recognised as follows:

(a) *Fee income for investment contracts and Asset management fee*

Revenues arising from asset management and other related services offered by the Company are recognised in the period in which they are received unless they relate to services to be provided in future periods, where in this case they are deferred and recognised as the service is provided.

Certain upfront payments received for asset management services ("front-end fees") are deferred, amortised and recognised over the expected term of the policy as the services are provided.

Regular fees are charged to the customer for asset management and other related services periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. The Company's performance obligations under the services contracts are generally satisfied over time as the customer simultaneously receives and consumes the benefits of the services rendered.

2 Material accounting policies (Continued)

2.15 Revenue recognition (Continued)

(b) Interest income

Interest income for debt securities is recognised using the effective interest method. Deposit interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(c) Dividend income

Dividend income for equities is recognised when the right to receive payment is established - this is the ex-dividend date for equity funds.

2.16 Intangible assets

Deferred origination costs

Commissions and other acquisition costs that vary with and are related to securing new investment management contracts and renewing existing investment management contracts are capitalised as an intangible asset and are amortised on a straight-line basis over the lifetime of the contracts, or over the period in which the Company expects to recognise the related revenue should there be no fixed maturity date attached to the said contracts. Annual review is carried out to assess the estimated useful life of the contracts by taking into account the lapse and surrender experience. The intangible assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. The amortised origination costs will be recognised through the income statement.

Club membership

Club membership acquired separately is measured on initial recognition at cost. The useful life of the club membership is assessed to be either finite or indefinite. Club membership with finite lives is subsequently amortised over the economic life and assessed for impairment whenever there is an indication that the club membership may be impaired. The amortisation period and the amortisation method for a club membership with a finite useful life are reviewed at least at each financial year end. Club membership with indefinite useful lives is tested for impairment annually either individually or at cash-generating unit level. Such club membership is not amortised. The useful life of a club membership with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be reasonable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. The club membership is subsequently stated at cost less impairment. The club membership owned by the Company is considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate future economic benefits.

2.17 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each date of statement of financial position.

2 Material accounting policies (Continued)

2.18 Events after the reporting period

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

3 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Liabilities for insurance contracts

Mortality/morbidity

The determination of the liabilities, including present value of future cash flows ("PVFCF"), risk adjustment for non-financial risk and CSM under long term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths and other insured events for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables and product specific morbidity tables (currently relied on reinsurance rate tables) that reflect recent historical mortality / morbidity experience, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths and other insured events determines the value of the benefit payments and the value of the valuation premium. The main source of uncertainty is that epidemics such as COVID-19, AIDS, SARS, Avian Flu, Swine Flu and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future experience being significantly deviated from the past experience. The Company will be able to increase mortality / morbidity risk charges in the future years in line with emerging experience for products with non-guaranteed premium or insurance charges, subject to regulatory requirement or approval.

The table below sets out the percentage assumed to apply to industry mortality tables in estimating fulfilment cash flows:

	Mortality rates	
	2025	2024
Male smokers	94% of HKA18	104% of HKA18*
Male non-smokers	60% of HKA18	61% of HKA18
Female smokers	143% of HKA18	119% of HKA18
Female non-smokers	68% of HKA18	70% of HKA18

* HKA18 is the Hong Kong Assured Life Mortality 2018 mortality table published by the Actuarial Society of Hong Kong.

3 Critical accounting estimates and judgments in applying accounting policies (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

Liabilities for insurance contracts (continued)

Expense

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. For the new products, long term expense assumptions are applied for a start-up period. For the run-off products, the current level of expenses is taken as an appropriate expense base with a forward-looking adjustment to gross up the best estimate management expenses to align with the management view of future expense until the end of the start-up period.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type and policy duration.

Discount rates

The Company applies bottom-up discount rates provided by Zurich Group for groups of insurance contracts issued and reinsurance contracts held. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market interest rates (either swap rates or yields of highly liquid sovereign securities). The illiquidity premium is determined by reference to observable market spreads for illiquid instruments (e.g., corporate debt, etc.) adequately corrected to remove credit risk.

Discount rates applied for discounting of future cash flows are listed below (in %):

Rates without illiquidity premium

	Portfolio duration									
	1 year		3 years		5 years		10 years		20 years	
Life insurance contracts issued	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
HKD	2.38%	3.63%	2.34%	3.42%	2.47%	3.35%	2.84%	3.39%	3.17%	3.47%
USD	3.43%	4.18%	3.34%	4.06%	3.47%	4.02%	3.84%	4.07%	4.28%	4.10%
GBP	3.54%	4.46%	3.53%	4.15%	3.67%	4.04%	4.04%	4.07%	4.54%	4.30%

Rates with illiquidity premium

	Portfolio duration									
	1 year		3 years		5 years		10 years		20 years	
Life insurance contracts issued	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
HKD	2.39%	3.68%	2.35%	3.47%	2.48%	3.40%	2.85%	3.44%	3.18%	3.52%
USD	3.81%	4.55%	3.72%	4.43%	3.85%	4.39%	4.22%	4.44%	4.66%	4.47%
GBP	3.78%	4.70%	3.77%	4.39%	3.91%	4.28%	4.28%	4.31%	4.78%	4.54%

3 Critical accounting estimates and judgments in applying accounting policies (Continued)

3.2 Critical judgements in applying the Company's accounting policies

Expected credit losses of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The Company provides impairment allowances for all exposures from the time a financial asset is originated or purchase, based on the deterioration of credit risk since initial recognition. If the credit risk of a financial asset has not increased significantly (Stage 1), allowances are recognised and measured at 12 month expected losses. If the credit risk of a financial asset has increased significantly (Stage 2) since initial recognition or it is credit impaired (Stage 3), then allowance is measured at lifetime expected credit losses.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Product classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Company exercises significant judgment to determine whether there is scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers. In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgment exercised in determining the level of insurance risk in product classification affect the amounts recognised in the financial statements as (re)-insurance contract assets or liabilities. The accounting policy on product classification is described in note 2.11.

4 Management of insurance and financial risk

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual benefits exceed the carrying amount of the insurance liabilities. This could occur because the expected number of deaths or paid benefits is greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as COVID-19, AIDS or SARS, Avian Flu or Swine Flu) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For long term insurance contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The Company charges for mortality/morbidity risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality/morbidity experience and hence minimise its exposure to insurance risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The Company manages these risks through its underwriting strategy and reinsurance arrangements.

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

Long term insurance contracts (Continued)

(i) Frequency and severity of claims (continued)

The underwriting strategy is intended to ensure premium fairness among contract holders. Medical selection is included in the Company's underwriting procedures with, premiums varied to reflect the health condition and family medical history of the applicants. Reinsurance arrangement is also set up to share mortality risk with reinsurers.

Contract holders have rights either to pay reduced or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed not to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The Company has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in contract holder behavior.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. As the Company has just started underwriting new insurance policies with limited exposure. The best estimate of future mortality is based on standard industry tables with prudent assumption adjusted for the Company's pricing experience. The actual experience of the Company will be deemed for the best estimate assumption where future data is sufficient to be statistically credible in later investigation.

The table below shows the Company's concentration of risk based on insurance contract assets and liabilities by line of business which is all written in Hong Kong:

	2025 HK$'000	2024 HK$'000
Life and annuity	2,413,465	2,102,904
Unit-linked	2,878,295	1,543,067
Insurance contract assets and liabilities	5,291,760	3,645,971

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

Long term insurance contracts (Continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

The main risks in each line of business are as follows:

Life and annuity:

Risk relating to life and annuity include, but are not limited to, mortality, morbidity, and interest rate risks arising on life insurance contracts. Mortality risk is the risk that the policyholder dies sooner than expected for life insurance contracts. Morbidity risk includes the risk that the policyholder suffers illness or a total and permanent disability. Interest rate risk is the changes in value of its assets and liabilities caused by movements in interest rate.

Unit-linked

Risk relating to unit-linked includes, but is not limited to, significant mortality risks. However, on unit-linked products, the interest rate or equity market risk is largely passed on to the policyholder.

The table below shows the fair value of underlying items for VFA contracts (e.g. unit linked).

	2025 HK$'000	2024 HK$'000
Bond	460,938	102,765
Equity	2,471,814	1,392,671
Cash	423,873	441,309
	3,356,625	1,936,745

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

Long term insurance contracts (Continued)

(iii) Sensitivity

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on contractual service margin, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions (as detailed in note 2.12) held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options. When options exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Life insurance contracts issued

	2025				
(in HK$'000)	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Mortality/morbidity rate	+10%	(4,748)	(3,217)	(8,148)	(6,533)
Longevity	+10%	-	-	-	-
Expenses	+10%	(6,697)	(6,697)	2,355	2,355
Lapse and surrenders rate	+10%	(2,598)	(2,441)	(17,054)	(16,816)
Mortality/morbidity rate	-10%	4,558	2,996	8,373	6,860
Longevity	-10%	-	-	-	-
Expenses	-10%	6,129	6,129	(1,708)	(1,708)
Lapse and surrenders rate	-10%	2,385	2,226	18,863	18,651

	2024				
(in HK$'000)	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Mortality/morbidity rate	+10%	(5,316)	(3,795)	(6,635)	(5,130)
Longevity	+10%	-	-	-	-
Expenses	+10%	(7,157)	(7,157)	2,927	2,927
Lapse and surrenders rate	+10%	(2,470)	(2,328)	(14,891)	(14,454)
Mortality/morbidity rate	-10%	5,266	3,712	6,870	5,446
Longevity	-10%	-	-	-	-
Expenses	-10%	6,694	6,694	(2,172)	(2,172)
Lapse and surrenders rate	-10%	2,677	2,531	16,749	16,347

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

Long term insurance contracts (Continued)

(iii) Sensitivity (continued)

(in HK$'000)	Change in assumptions	2025 Impact on CSM before tax gross of reinsurance	2025 Impact on CSM before tax net of reinsurance	2024 Impact on CSM before tax gross of reinsurance	2024 Impact on CSM before tax net of reinsurance
Mortality/morbidity rate	+10%	(38,369)	(19,673)	(38,894)	(20,585)
Longevity	+10%	-	-	-	-
Expenses	+10%	(70,604)	(70,604)	(66,460)	(66,460)
Lapse and surrenders rate	+10%	(46,541)	(45,690)	(30,279)	(29,909)
Mortality/morbidity rate	-10%	37,344	17,890	37,994	18,895
Longevity	-10%	-	-	-	-
Expenses	-10%	64,801	64,801	60,834	60,834
Lapse and surrenders rate	-10%	51,971	50,974	34,629	34,104

(iv) Objective for managing insurance risks

The Company manages the operation to optimise the earnings while without jeopardising the company financial and solvency position and complying with the Zurich Risk Policy. The expense risks are closely monitored because the budget control is one of the key performance measurements. The mortality and morbidity risks are mitigated by having appropriate reinsurance in place. In general, policyholder lapse risk is managed by being a truly customer centric organisation, including designing products which meet customers' needs and provide value for money, as well as actions to manage the reputational risks which could trigger a mass lapse event.

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and (re)-insurance contract liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk, equity market risk, liquidity risk and currency risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

In order to manage interest rate, equity market or other financial risk exposures contained within life insurance products, the Company's Asset Liability Management Investment Committee manages its overall asset liability matching exposure.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

The Company manages accumulations in investments by issuer, industry and credit rating, and closely monitor changes.

(i) Interest rate risk

The Company's investment assets are subject to interest rate risk directly in debt securities.

For Unit-Linked contracts, changes in interest rate will cause a change to the amount of the reserve. As a significant proportion of the total liabilities are unit reserve and the market risk of Unit-Linked fund asset is passed on to the policyholder, changes in interest rates will not significantly affect these contracts.

For the other long-term liabilities, changes in interest rate will cause a change to the amount of the liability. An increase/decrease in the value of the assets would result in an increase/decrease in the value of the long-term liabilities respectively.

Management monitors the sensitivity of reported interest rate movements on a regular basis by assessing the expected changes in different portfolios due to parallel movements of 100 basis points in all yield curves:

		2025		2024	
(in HK$'000)	Change in interest rate	impact on profit before tax	Impact on equity	impact on profit before tax	Impact on equity
Insurance and reinsurance contracts	+100 bps	(438)	137,978	(545)	156,487
Debt instruments	+100 bps	(10,271)	(315,182)	(10,865)	(360,084)
Insurance and reinsurance contracts	-100 bps	921	(170,507)	917	(190,377)
Debt instruments	-100 bps	12,252	360,786	13,043	410,549

The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities in current interest rates. The mean duration of the insurance liabilities is determined by the interest rate sensitivities of those liabilities subject to interest rate risk. The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

(ii) Credit risk

The Company's financial assets which are potentially subject to credit risk consist principally of debt securities, derivative financial instruments, cash and cash equivalents and receivables and other assets. The Company limits its exposure to credit risk by transacting with well-established parties. The Company's bank balances are placed with renowned financial institutions in Hong Kong.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(ii) Credit risk (continued)

The below table shows the financial analysis for debt securities, derivative financial instruments, reinsurance contract assets, receivables and other assets and cash and cash equivalents categorised by Moody's rating.

(in HK$'000)	Aaa	Aa1-Aa3	A1 – A3	Baa1-Baa3	Ba1-Ba3	Not rated	Total
As at 31 December 2025							
Debts securities	66,012	556,217	795,750	236,128	316,771	-	1,970,878
Reinsurance contract assets	-	236,662	-	-	-	-	236,662
Receivables and other assets	550	3,788	10,434	2,807	4,353	16,010	37,942
Cash and cash equivalents	-	103,567	2,126	-	-	212,722	318,415
As at 31 December 2024							
Debt securities	159,792	616,926	805,190	382,920	8,367	941	1,974,136
Derivative financial instruments	-	394	-	-	-	-	394
Reinsurance contract assets	-	202,074	-	-	-	-	202,074
Receivables and other assets	2,013	4,904	10,223	4,986	190	17,045	39,361
Cash and cash equivalents	-	78,014	5,393	-	-	19,369	102,776

4 Management of insurance and financial risk (continued)

4.2 Financial risk (Continued)

(iii) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts that will be matured in a short period of time. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum proportion of maturing funds available to meet such calls that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

The maturity analysis presented in the table below represents the estimated maturity of carrying amounts in the statement of financial position. The estimated maturities for insurance and investment contracts, are proportionate to their carrying values based on the expected maturities of the insurance and investment contracts in force at their respective dates. The Company used assumptions to determine the expected maturities of insurance benefits and claims and investment contract benefits.

A maturity analysis based on the earliest contractual repayment date would present the insurance and investment contract liabilities as falling due in the earliest period in the table because of the ability of policyholders to exercise surrender options. Financial assets and liabilities other than insurance and investment contract liabilities are presented based on their respective contractual maturities.

Should the policyholders surrender or terminate their insurance policies prior to their contractual repayment dates, they are entitled to receive their account values (less surrender penalty) as of the surrender dates for universal life and unit-linked products, or the cash values for traditional life products. The insurance contract liabilities, or reserves, under the guidance of regulator, are always greater than the surrender values and cash values. As a result, all surrenders and earlier terminations of insurance contracts are implicitly covered by these reserves.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(iii) Liquidity risk (continued)

	Contractual/expected cash flows (discounted) of liabilities				
	Less than 1 year	1-5 years	6-10 years	>10 years	Total
(in HK$'000)					
As at 31 December 2025					
Insurance contracts liabilities	(417,738)	(357,111)	469,981	4,509,829	4,204,961
Reinsurance contracts liabilities	(16,601)	(47,843)	(44,599)	139,763	30,720
Derivative financial instruments	811	-	-	-	811
Liabilities for investment contracts	-	-	-	371,703	371,703
Other liabilities	108,804	914	1,143	1,984	112,845
Lease liabilities	1,698	4,028	-	-	5,726
	(323,026)	(400,012)	426,525	5,023,279	4,726,766

	Contractual/expected cash flows (discounted) of liabilities				
	Less than 1 year	1-5 years	6-10 years	>10 years	Total
(in HK$'000)					
As at 31 December 2024					
Insurance contracts liabilities	(354,579)	(642,510)	65,222	3,609,292	2,677,425
Reinsurance contracts liabilities	(22,886)	(62,815)	(52,179)	169,439	31,559
Liabilities for investment contracts	-	-	-	354,529	354,529
Other liabilities	110,731	602	753	1,380	113,466
Lease liabilities	1,878	664	-	-	2,542
	(264,856)	(704,059)	13,796	4,134,640	3,179,521

The amounts of insurance contract liabilities that are payable on demand and their carrying value are as follows:

	2025		2024	
(in HK$'000)	Amounts payable on demand	Carrying amount	Amounts payable on demand	Carrying amount
Universal life	641,956	860,658	650,103	732,445
Unit linked	2,847,623	2,959,401	1,573,736	1,580,712
Traditional	350,762	731,313	310,458	668,688
Protection	-	742,476	-	664,980
	3,840,341	5,293,848	2,534,297	3,646,825

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4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(iv) Currency risk

The Company's exposure to foreign exchange risks arises primarily with respect to the US dollar, UK pound, Euro, Japanese yen and Australian dollar. The Company's foreign currency insurance and investment business generally invest in assets denominated in the same currencies as the insurance and investment liabilities, which mitigates the foreign currency exchange rate risk for these operations.

The long-term policy is to match liabilities and assets by currency. The majority of the assets and liabilities of the Company were denominated in either Hong Kong dollars or US dollars. Hong Kong dollars are currently pegged to the US dollars. The currency risk that is relevant to the Company is a re-pegging/ depegging between the Hong Kong dollar and US dollar.

The table below summarises the Company's exposure to foreign currency exchange rate risk for the major currencies:

(in HK$'000)	HK$	US$	GBP	Others	Total
As at 31 December 2025					
Right-of-use assets	5,808	-	-	-	5,808
Property, plant and equipment	1,024	-	-	-	1,024
Intangible assets	11,934	2,003	-	-	13,937
Equity funds	74,967	113,031	10	668	188,676
Unit-linked funds	665,644	2,789,614	526	36,767	3,492,551
Debt securities	429,519	1,469,001	22,797	49,561	1,970,878
Receivables and other assets	11,281	26,106	390	165	37,942
Insurance contract assets	2,088	-	-	-	2,088
Reinsurance contract assets	582,999	(346,337)	-	-	236,662
Cash and cash equivalents	224,394	80,918	2,316	10,787	318,415
Total assets	2,009,658	4,134,336	26,039	97,948	6,267,981
Liabilities for investment contracts	72,624	297,794	-	1,285	371,703
Insurance contract liabilities	2,746,816	2,523,105	12,035	11,892	5,293,848
Reinsurance contract liabilities	4,774	18,229	4	-	23,007
Derivative financial instruments	(500,726)	501,537	-	-	811
Other liabilities	69,276	38,896	(32)	4,705	112,845
Lease liabilities	5,726	-	-	-	5,726
Income tax liabilities	6,544	-	-	-	6,544
Total liabilities	2,405,034	3,379,561	12,007	17,882	5,814,484

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(iv) Currency risk (continued)

(in HK$'000)	HK$	US$	GBP	Others	Total
As at 31 December 2024					
Right-of-use assets	3,240	-	-	-	3,240
Property, plant and equipment	2,603	-	-	-	2,603
Intangible assets	13,487	2,127	-	-	15,614
Equity funds	96,121	16,026	3	181	112,331
Unit-linked funds	328,705	1,749,690	426	18,724	2,097,545
Debt securities	524,746	1,381,462	20,897	47,031	1,974,136
Derivative financial instruments	546,249	(545,855)	-	-	394
Receivables and other assets	24,162	14,689	362	148	39,361
Insurance contract assets	851	3	-	-	854
Reinsurance contract assets	539,400	(337,326)	-	-	202,074
Cash and cash equivalents	63,589	27,020	1,919	10,248	102,776
Total assets	2,143,153	2,307,836	23,607	76,332	4,550,928
Liabilities for investment contracts	91,213	262,169	-	1,147	354,529
Insurance contract liabilities	1,636,656	1,986,856	11,380	11,933	3,646,825
Reinsurance contract liabilities	4,435	18,739	3	-	23,177
Other liabilities	84,367	19,655	-	9,444	113,466
Lease liabilities	2,542	-	-	-	2,542
Income tax liabilities	2,489	-	-	-	2,489
Total liabilities	1,821,702	2,287,419	11,383	22,524	4,143,028

Sensitivity analysis

The analysis below illustrates the impact of the changes in major foreign exchange rate against the Hong Kong Dollar on the pre-tax profit, with all other variables held constant.

		GBP			
		2025		2024	
(in HK$'000)	Change in exchange rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Insurance and reinsurance contracts	+5%	(602)	(602)	(569)	(569)
Financial assets	+5%	1,304	1,304	1,180	1,180
Insurance and reinsurance contracts	-5%	602	602	569	569
Financial assets	-5%	(1,304)	(1,304)	(1,180)	(1,180)

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4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(v) Equity market risk

Equity risk is the risk involved in the changing prices of stock investments. The Company's allocation to equity in the non-linked investment portfolio is immaterial with a target of 4%. The Company invests into the iShares Core MSCI Asia ex Japan ETF which is an exchange-traded fund (ETF) designed to provide investment results that closely correspond to the performances of the MSCI Asia ex Japan index. The investments within the fund are well diversified with more than 900 holdings. As at 31 December 2025, the stand-alone expected shortfall (ES 99%) of the equity exposure to profit or loss and equity is HK$41M (2024: HK$58M), while the sensitivity to a 10% equity drop to profit or loss and equity is approximately HK$9M (2024: HK$10M) to financial assets, and HK$4M (2024: HK$7M) to insurance contracts.

(vi) Impairment assessment

Impairment losses on financial instruments subject to impairment assessment.

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

(in HK$'000)		2025			2024		
Internal rating grade	Moodys	Carrying amount	12m ECL	Net carrying amount	Carrying amount	12m ECL	Net carrying amount
AAA	Aaa	55,357	(8)	55,349	52,312	(7)	52,305
AA- up to and including AA+	Aa1 - Aa3	549,521	(107)	549,414	652,917	(133)	652,784
A- up to and including A+	A1 - A3	735,147	(295)	734,852	801,874	(334)	801,540
BBB up to and including BBB+	Ba1 - Ba3	498,312	(423)	497,889	347,800	(380)	347,420
BBB-	Ba1 - Ba3	42,964	(50)	42,914	28,179	(36)	28,143
BB+ and below	B1 - B3	1,659	(4)	1,655	-	-	-
Total		**1,882,960**	**(887)**	**1,882,073**	**1,883,082**	**(890)**	**1,882,192**

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(vi) Impairment assessment (continued)

An analysis of changes in the fair value of the Company's debt instruments measured at FVOCI and the corresponding ECLs is as follows:

(in HK$'000)	2025			2024		
	Carrying amount	12m ECL	Net carrying amount	Carrying amount	12m ECL	Net carrying amount
Balance as at 1 January	**1,883,082**	**(890)**	**1,882,192**	**1,880,913**	**(1,165)**	**1,879,748**
New assets originated or purchased	361,252	(201)	361,051	261,449	(176)	261,273
Assets derecognised or matured	(478,763)	204	(478,559)	(167,987)	157	(167,830)
Change in fair value	92,458	-	92,458	(86,971)	-	(86,971)
Net foreign exchange expense / (income)	12,346	(5)	12,341	(14,925)	5	(14,920)
Other changes	12,585	5	12,590	10,603	289	10,892
At 31 December	**1,882,960**	**(887)**	**1,882,073**	**1,883,082**	**(890)**	**1,882,192**

While debt instruments of the Company measured at amortised costs are also subject to the impairment requirements under HKFRS 9, the identified impairment loss was considered immaterial by the management.

4.3 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital position to maintain a balance between investment return, business growth and security for solvency. Any capital injection and remittance are required to be reviewed by the local management team (Life CEO & CFO), the Hong Kong Appointed Actuary and the Board to meet the internal governance.

The Insurance Authority (the "IA") introduced the Risk-based Capital ("RBC") regime with an effective date of 1 July 2024. The RBC regime adopts a three-pillar framework and an assessment approach which is sensitive to an insurer's asset and liability matching, risk appetite and mix of products.

The Company monitors capital using the RBC ratio, which is the Eligible Capital divided by the Prescribed Capital Amount as defined by the Hong Kong Insurance Ordinance (Cap. 41) (the "Ordinance"). The Ordinance requires the Company to carry out and track the solvency position to ensure the level of surplus is kept at an adequate level and value assets and liabilities in accordance with the Insurance (Valuation and Capital) Rules (Cap 41R) ("Valuation and Capital Rules").

Solvency position is also monitored as part of the Company's internal forecasting process and annual Scenario and Stress Testing which are required by the regulator. The level of surplus is kept at an adequate level to support the expected new business growth and to withstand a range of possible adverse market scenarios.

4 Management of insurance and financial risk (Continued)

4.4 Fair value hierarchy

Fair value measurements classified as Level 1 include unit trust traded in an active market and valued based on unadjusted quoted prices which are priced daily.

Investments classified as Level 2 primarily include government and agency securities and corporate debt securities, with less average daily trading volume and frequency. They also include open end mutual funds traded in other active markets which allow frequent redemption at (market derived) net asset values ("NAVs"). As daily market quotes generally are not readily available and accessible for these securities, their fair value measures are determined utilising observable inputs generated by market transactions.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include reported secondary trades, broker-dealer quotes, issuer spreads, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate.

The Company measures derivative financial instruments at fair value. The instruments are categorised as level 2 fair value measurements in the fair value hierarchy as the measurements of fair value is based on observable market data, either directly (i.e. as prices) or indirectly (i.e. derived from prices). All changes in fair value are recognised in income statement as the Company does not apply hedge accounting under HKFRS 9.

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4 Management of insurance and financial risk (Continued)

4.4 Fair value hierarchy (Continued)

The following table presents the Company's assets and liabilities measured at fair value.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2025				
Assets				
Financial assets at FVOCI				
- Debt securities	-	1,882,960	-	1,882,960
Financial assets at FVTPL				
- Debt securities	-	87,918	-	87,918
- Equity securities	2,300,153	1,381,052	22	3,681,227
Total assets	2,300,153	3,351,930	22	5,652,105
Liabilities				
Liabilities for investment contracts	-	371,703	-	371,703
Derivative financial instruments	-	811	-	811
Total liabilities	-	372,514	-	372,514
As at 31 December 2024				
Assets				
Financial assets at FVOCI				
- Debt securities	-	1,883,082	-	1,883,082
Financial assets at FVTPL				
- Debt securities	-	91,054	-	91,054
- Equity securities	1,069,640	1,140,215	22	2,209,877
Derivative financial instruments	-	394	-	394
Total assets	1,069,640	3,114,745	22	4,184,407
Liabilities				
Liabilities for investment contracts	-	354,529	-	354,529
Total liabilities	-	354,529	-	354,529

The carrying value less impairment provisions of receivables and payables are assumed to approximate their fair values because of their short maturities.

4 Management of insurance and financial risk (Continued)

4.4 Fair value hierarchy (Continued)

The movement during the year in recurring Level 3 financial assets is as follows:

	2025 HK$	2024 HK$
Financial assets at fair value through profit or loss:		
At 1 January	21,661	21,785
Addition	-	-
Transferred into level 2 from level 3	-	-
Change in fair value recognised in profit or loss	44	(124)
At 31 December	21,705	21,661

During the year ended 31 December 2025, the Company holds a Level 3 financial asset at HK$21,705 (2024: HK$21,661). The investment manager of the fund continues to value the fund and publish the net assets values on a daily basis. During the year ended 31 December 2025, the Company has used the net asset value method as the basis of the valuation technique of the fund, and subtracted the accrued asset management charge accrued to the Company. The Company has determined that the above net asset values represent fair value at the end of the reporting period.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 (2024: Nil) and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024: Nil).

5 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2025 HK$	2024 HK$
Right-of-use assets		
- Property	5,643,887	2,334,115
- Reinstatement costs	164,096	905,847
	5,807,983	3,239,962
Lease liabilities		
- Current	1,698,051	1,878,094
- Non-current	4,027,938	664,269
	5,725,989	2,542,363

(ii) Amounts recognised in the profit or loss

The income statement shows the following amounts relating to leases:

	2025 HK$	2024 HK$
Depreciation of right-of-use assets		
- Property	1,729,345	1,736,583
- Reinstatement costs	569,830	673,950
Interest expenses on lease liabilities	85,496	138,588

The total cash outflow for leases in 2025 was HK$1,940,988 (2024: HK$1,940,988).

(iii) The Company's leasing activities and how these are accounted for

The Company extends the rental contract for the offices for a fixed period of 3 years from 5th May 2026 to 4th May 2029 . Lease payments are fixed throughout the lease term.

6 Property, plant and equipment

	Furniture and fittings HK$	Office equipment HK$	Leasehold improvements HK$	Total HK$
Year ended 31 December 2024				
Opening net book amount	367,768	581,467	3,232,503	4,181,738
Depreciation charge	(78,936)	(162,270)	(1,337,587)	(1,578,793)
Closing net book amount	288,832	419,197	1,894,916	2,602,945
At 31 December 2024				
Cost	394,680	649,080	3,684,811	4,728,571
Accumulated depreciation	(105,848)	(229,883)	(1,789,895)	(2,125,626)
Net book amount	288,832	419,197	1,894,916	2,602,945
Year ended 31 December 2025				
Opening net book amount	288,832	419,197	1,894,916	2,602,945
Depreciation charge	(78,936)	(162,270)	(1,337,587)	(1,578,793)
Closing net book amount	209,896	256,927	557,329	1,024,152
At 31 December 2025				
Cost	394,680	649,080	3,684,811	4,728,571
Accumulated depreciation	(184,784)	(392,153)	(3,127,482)	(3,704,419)
Net book amount	209,896	256,927	557,329	1,024,152

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7 Intangible assets

	Deferred origination costs HK$	Club membership HK$	Total HK$
At 1 January 2024			
Cost	14,254,297	3,000,000	17,254,297
Accumulated amortisation and impairment	(630,142)	-	(630,142)
Net book amount	13,624,155	3,000,000	16,624,155
Year ended 31 December 2024			
Opening net book amount	13,624,155	3,000,000	16,624,155
Additions	86,921	-	86,921
Amortisation charge and impairment	(1,096,920)	-	(1,096,920)
Closing net book amount	12,614,156	3,000,000	15,614,156
At 31 December 2024 And 1 January 2025			
Cost	14,341,218	3,000,000	17,341,218
Amortisation charge and impairment	(1,727,062)	-	(1,727,062)
Net book amount	12,614,156	3,000,000	15,614,156
Year ended 31 December 2025			
Opening net book amount	12,614,156	3,000,000	15,614,156
Additions	(12,757)	-	(12,757)
Amortisation charge and impairment	(1,664,286)	-	(1,664,286)
Closing net book amount	10,937,113	3,000,000	13,937,113
At 31 December 2025			
Cost	14,328,461	3,000,000	17,328,461
Amortisation charge and impairment	(3,391,348)	-	(3,391,348)
Net book amount	10,937,113	3,000,000	13,937,113

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8 Financial assets

Financial assets are summarised by measurement category in the table below:

	2025 HK$	2024 HK$
Financial assets at FVOCI	1,882,959,959	1,883,082,022
Financial assets at FVTPL	3,769,145,367	2,300,930,216
Derivative financial instruments	-	393,941
Financial assets at amortised costs:		
- Receivables and other Assets	37,941,725	39,360,654
- Cash and cash equivalents	318,415,097	102,776,404
Total financial assets	6,008,462,148	4,326,543,237

8.1 Financial assets at FVOCI

	2025 HK$	2024 HK$
Debt securities - fixed interest rate:		
- listed	1,664,990,195	1,391,561,409
- unlisted		
- issued by or guaranteed by any government and public utilities	23,805,870	248,867,707
- others	194,163,894	242,652,906
	1,882,959,959	1,883,082,022

The maximum exposure to credit risk at the reporting date is the carrying amount of debt securities classified as FVOCI.

As at 31 December 2025, an expected credit loss allowance of HK$887,750 (2024: HK$890,110) was made on the debt securities at FVOCI.

8 Financial assets (continued)

8.2 Financial assets at FVTPL

	2025 HK$	2024 HK$
Debt securities - fixed interest rate:		
- listed	87,918,489	91,053,608
Equity funds:		
- listed	1,228,267,898	564,558,097
- unlisted	2,452,958,980	1,645,318,511
	3,769,145,367	2,300,930,216

8.3 Derivative financial instruments

Foreign exchange forward contracts represent agreements to exchange the currency of one country of the currency of another country at an agreed price and settlement date. The notional principal amounts of outstanding derivative contracts and their fair values were as follows:

	2025 Notional amount HK$	2025 Fair values Assets / (liabilities) HK$	2024 Notional amount HK$	2024 Fair values Assets / (liabilities) HK$
Foreign exchange contracts				
Forwards	501,998,285	(811,279)	548,761,259	393,941
	501,998,285	(811,279)	548,761,259	393,941

8.4 Receivables and other assets

	2025 HK$	2024 HK$
Other receivables		
- interest receivables on debt securities	21,931,884	22,320,366
- others	1,117,079	1,150,255
Amounts due from investment brokers and exchanges	10,818,786	-
Amount due from fellow subsidiaries	4,073,976	15,890,033
	37,941,725	39,360,654

The interest receivables on debt securities do not contain impaired or overdue assets.

Amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand.

9 Cash and cash equivalents

	2025 HK$	2024 HK$
Bank balances		
- Current and saving accounts	318,415,097	102,776,404
	318,415,097	102,776,404

Cash at bank in the designated accounts earned interest at floating rates based on daily bank deposits rates. The bank balances are deposited with creditworthy banks with no recent history default.

10 Liabilities for investment contracts

Investment contracts represented unit-linked contracts issued to the policyholders.

The movements in the liabilities arising from investment contracts are summarised below:

	2025 HK$	2024 HK$
At 1 January	354,528,548	360,790,453
Release in account balances for surrender, maturity and death payment	(29,208,892)	(26,181,657)
Change in market values	46,800,835	18,214,413
Other movements	(787,255)	3,285,023
Net exchange differences	370,249	(1,579,684)
At 31 December	371,703,485	354,528,548

The benefits offered under the Company's unit-linked investment contract are based on the return of unit linked fund.

The Company measures the liabilities for investment contracts at fair value through profit or loss. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

11 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2025			**2024**		
	Assets HK$	Liabilities HK$	Net HK$	Assets HK$	Liabilities HK$	Net HK$
Insurance contracts issued						
Life contracts	(2,088,358)	5,293,848,464	5,291,760,106	(853,989)	3,646,824,748	3,645,970,759
Total insurance contracts issued	(2,088,358)	5,293,848,464	5,291,760,106	(853,989)	3,646,824,748	3,645,970,759
Reinsurance contracts held						
Life contracts	(236,662,102)	23,006,601	(213,655,501)	(202,073,622)	23,177,457	(178,896,165)
Total reinsurance contracts held	(236,662,102)	23,006,601	(213,655,501)	(202,073,622)	23,177,457	(178,896,165)

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11 Insurance and reinsurance contracts

11.1 Roll-forward of net asset or liability for life insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

Life Insurance contracts issued	**2025**				
	Liability for remaining coverage, excl. loss comp	**Liability for remaining coverage, loss component**	**Liability for incurred claims**	**Assets for insurance acquisition cash flows**	**Total**
	HK$	HK$	HK$	HK$	HK$
Insurance contracts liabilities, as of January 1st	3,574,412,633	17,955,593	54,456,522	-	3,646,824,748
Insurance contracts assets, as of January 1st	(1,057,376)	203,387	-	-	(853,989)
Net insurance contracts, as of January 1st	**3,573,355,257**	**18,158,980**	**54,456,522**	**-**	**3,645,970,759**
Insurance revenue	**(332,537,459)**	**-**	**-**	**-**	**(332,537,459)**
- *Contracts under the modified retrospective approach*	(16,363,700)	-	-	-	(16,363,700)
- *Contracts under the fair value approach*	(119,842,695)	-	-	-	(119,842,695)
- *All other contracts*	(196,331,064)	-	-	-	(196,331,064)
Insurance service expenses:	**27,653,538**	**(1,440,120)**	**211,582,631**	**-**	**237,796,049**
Incurred claims and other incurred insurance service expense	-	-	211,582,631	-	211,582,631
Amortisation of insurance acquisition cash flows	27,653,538	-	-	-	27,653,538
Losses and reversal of losses on onerous contracts of which:					
- *Run of loss component*	-	(1,423,801)	-	-	(1,423,801)
- *Other changes in Loss component*	-	(16,319)	-	-	(16,319)
Insurance service result	**(304,883,921)**	**(1,440,120)**	**211,582,631**	**-**	**(94,741,410)**
Cash inflows/(outflows):					
Premiums received	**1,871,892,783**	**-**	**-**	**-**	**1,871,892,783**
Insurance acquisition cash flows paid	(246,473,868)	-	-	-	(246,473,868)
Claims and other insurance service expense paid, including investment component	**-**	**-**	**(312,359,435)**	**-**	**(312,359,435)**
- *Investment component cashflows*	-	-	(108,075,654)	-	(108,075,654)
- *Claims and other insurance service expenses paid*	-	-	(204,283,781)	-	(204,283,781)
Net cash inflows/(outflows)	**1,625,418,915**	**-**	**(312,359,435)**	**-**	**1,313,059,480**
Investment components	(118,060,975)	-	118,060,975	-	-
Insurance finance income or expense recognised in profit & loss	375,758,535	1,216,482	1,319,037	-	378,294,054
Insurance finance income or expense recognised in OCI	45,087,483	-	-	-	45,087,483
Foreign currency translation effects	6,132,453	28,589	(2,071,302)	-	4,089,740
Total changes not related to provision of insurance services	**308,917,496**	**1,245,071**	**117,308,710**	**-**	**427,471,277**
Net insurance contracts, as of December 31	**5,202,807,747**	**17,963,931**	**70,988,428**	**-**	**5,291,760,106**
Insurance contract liabilities, as of December 31	**5,205,358,078**	**17,501,958**	**70,988,428**	**-**	**5,293,848,464**
Insurance contract assets, as of December 31	**(2,550,331)**	**461,973**	**-**	**-**	**(2,088,358)**

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11 Insurance and reinsurance contracts

11.1 Roll-forward of net asset or liability for life insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Life Insurance contracts issued	**2024**				
	Liability for remaining coverage, excl. loss comp	**Liability for remaining coverage, loss component**	**Liability for incurred claims**	**Assets for insurance acquisition cash flows**	**Total**
	HK$	HK$	HK$	HK$	HK$
Insurance contracts liabilities, as of January 1st	3,025,536,231	29,186,823	54,717,728	-	3,109,440,782
Insurance contracts assets, as of January 1st	(14,267,015)	316,762	-	-	(13,950,253)
Net insurance contracts, as of January 1st	**3,011,269,216**	**29,503,585**	**54,717,728**	**-**	**3,095,490,529**
Insurance revenue	**(260,168,938)**	**-**	**-**	**-**	**(260,168,938)**
- Contracts under the modified retrospective approach	(15,980,004)	-	-	-	(15,980,004)
- Contracts under the fair value approach	(117,859,256)	-	-	-	(117,859,256)
- All other contracts	(126,329,678)	-	-	-	(126,329,678)
Insurance service expenses:	**12,227,385**	**(12,065,837)**	**152,056,680**	**-**	**152,218,228**
Incurred claims and other incurred insurance service expense	-	-	152,056,680	-	152,056,680
Amortisation of insurance acquisition cash flows	12,227,385	-	-	-	12,227,385
Losses and reversal of losses on onerous contracts of which:					
- Run of loss component	-	(2,904,212)	-	-	(2,904,212)
- Other changes in Loss component	-	(9,161,625)	-	-	(9,161,625)
Insurance service result	**(247,941,553)**	**(12,065,837)**	**152,056,680**	**-**	**(107,950,710)**
Cash inflows/(outflows):					
Premiums received	**971,595,462**	**-**	**-**	**-**	**971,595,462**
Insurance acquisition cash flows paid	(150,870,751)	-	-	-	(150,870,751)
Claims and other insurance service expense paid, including investment component	**-**	**-**	**(266,600,885)**	**-**	**(266,600,885)**
- Investment component cashflows	-	-	(113,046,073)	-	(113,046,073)
- Claims and other insurance service expenses paid	-	-	(153,554,812)	-	(153,554,812)
Net cash inflows/(outflows)	**820,724,711**	**-**	**(266,600,885)**	**-**	**554,123,826**
Investment components	(116,629,756)	-	116,629,756	-	-
Insurance finance income or expense recognised in profit & loss	152,410,667	874,052	-	-	153,284,719
Insurance finance income or expense recognised in OCI	(19,065,106)	-	-	-	(19,065,106)
Foreign currency translation effects	(27,412,922)	(152,820)	(2,346,757)	-	(29,912,499)
Total changes not related to provision of insurance services	**(10,697,117)**	**721,232**	**114,282,999**	**-**	**104,307,114**
Net insurance contracts, as of December 31	**3,573,355,257**	**18,158,980**	**54,456,522**	**-**	**3,645,970,759**
Insurance contract liabilities, as of December 31	**3,574,412,633**	**17,955,593**	**54,456,522**	**-**	**3,646,824,748**
Insurance contract assets, as of December 31	**(1,057,376)**	**203,387**	**-**	**-**	**(853,989)**

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11 Insurance and reinsurance contracts

11.1 Roll-forward of net asset or liability for life insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reinsurance contracts held	**2025**			
	Assets for remaining coverage, excl loss-recovery component	**Assets for remaining coverage, Loss-recovery component**	**Assets for ceded incurred claims**	**Total**
	HK$	HK$	HK$	HK$
Reinsurance contract liabilities, as of January 1st	(23,300,405)	122,948	-	(23,177,457)
Reinsurance contract assets, as of January 1st	187,918,746	2,292,464	11,862,412	202,073,622
Net reinsurance contracts, as of January 1st	**164,618,341**	**2,415,412**	**11,862,412**	**178,896,165**
Allocation of reinsurance premiums	(26,429,831)	-	-	(26,429,831)
Amounts recoverable from reinsurers:				
Amounts recoverable for claims and other expenses incurred in the period & Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	27,241,800	27,241,800
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	146,525	-	146,525
Net expense from reinsurance contracts held	**(26,429,831)**	**146,525**	**27,241,800**	**958,494**
Cash (inflows)/outflows in the period:				
Reinsurance premiums paid	33,668,214	-	-	33,668,214
Amounts recovered under reinsurance contracts held, including investment components	(7,433,585)	-	(24,849,742)	(32,283,327)
Net cash (inflows)/outflows	**26,234,629**	**-**	**(24,849,742)**	**1,384,887**
Investment components recovered from reinsurance	-	-	-	-
Effect of changes in the risk of non-performance of reinsurer recognised in profit & loss	104,627	-	-	104,627
Reinsurance finance income or expense recognised in profit & loss	3,004,453	91,781	-	3,096,234
Reinsurance finance income or expense recognised in OCI	29,346,569	-	-	29,346,569
Foreign currency translation effects	(45,955)	218	(85,738)	(131,475)
Total changes not related to reinsurance services received	***32,409,694***	***91,999***	***(85,738)***	***32,415,955***
Net reinsurance contracts, as of December 31st	196,832,833	2,653,936	14,168,732	213,655,501
Reinsurance contract liabilities, as of December 31st	(23,086,430)	79,829	-	(23,006,601)
Reinsurance contract assets, as of December 31st	219,919,263	2,574,107	14,168,732	236,662,102

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11 Insurance and reinsurance contracts

11.1 Roll-forward of net asset or liability for life insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reinsurance contracts held	**2024**			
	Assets for remaining coverage, excl loss-recovery component	**Assets for remaining coverage, Loss-recovery component**	**Assets for ceded incurred claims**	**Total**
	HK$	HK$	HK$	HK$
Reinsurance contract liabilities, as of January 1st	(22,726,362)	11,018,062	-	(11,708,300)
Reinsurance contract assets, as of January 1st	191,162,621	2,508,671	10,154,878	203,826,170
Net reinsurance contracts, as of January 1st	**168,436,259**	**13,526,733**	**10,154,878**	**192,117,870**
Allocation of reinsurance premiums	(26,503,200)	-	-	(26,503,200)
Amounts recoverable from reinsurers:				
Amounts recoverable for claims and other expenses incurred in the period & Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	8,708,867	8,708,867
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	(11,174,455)	-	(11,174,455)
Net expense from reinsurance contracts held	**(26,503,200)**	**(11,174,455)**	**8,708,867**	**(28,968,788)**
Cash (inflows)/outflows in the period:				
Reinsurance premiums paid	22,145,667	-	-	22,145,667
Amounts recovered under reinsurance contracts held, including investment components	(11,433,455)	-	(6,941,292)	(18,374,747)
Net cash (inflows)/outflows	**10,712,212**	**-**	**(6,941,292)**	**3,770,920**
Investment components recovered from reinsurance	-	-	-	-
Effect of changes in the risk of non-performance of reinsurer recognised in profit & loss	(256,297)	-	-	(256,297)
Reinsurance finance income or expense recognised in profit & loss	3,918,690	131,093	-	4,049,783
Reinsurance finance income or expense recognised in OCI	8,248,194	-	-	8,248,194
Foreign currency translation effects	62,483	(67,959)	(60,041)	(65,517)
Total changes not related to reinsurance services received	***11,973,070***	***63,134***	***(60,041)***	***11,976,163***
Net reinsurance contracts, as of December 31st	164,618,341	2,415,412	11,862,412	178,896,165
Reinsurance contract liabilities, as of December 31st	(23,300,405)	122,948	-	(23,177,457)
Reinsurance contract assets, as of December 31st	187,918,746	2,292,464	11,862,412	202,073,622

11 Insurance and reinsurance contracts (Continued)

11.2 Roll-forward of the net asset or liability for life insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM

Life Insurance contracts issued	**2025**			
	Estimate of the PVFCF	**Risk Adjustment**	**Contractual Service Margin**	**Total**
	HK$	HK$	HK$	HK$
Insurance contract liabilities, as of January 1	2,677,424,707	72,754,704	896,645,337	3,646,824,748
Insurance contract assets, as of January 1	(2,332,949)	108,090	1,370,870	(853,989)
Net insurance contracts, as of January 1	**2,675,091,758**	**72,862,794**	**898,016,207**	**3,645,970,759**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	(101,790,268)	(18,277,181)	120,067,448	(1)
Change in estimate result in loss & reversal of loss on onerous contract	1,051,723	(1,946,833)	-	(895,110)
Contracts initially recognised in the period	(95,434,352)	18,278,493	78,034,650	878,791
Changes that relate to current service:	-	-	-	-
CSM recognised in profit & loss to reflect the transfer of services	**-**	**-**	**(88,629,211)**	**(88,629,211)**
Change in the risk adjustment for non-financial risk	-	(7,573,081)	-	(7,573,081)
Experience adjustments	1,477,202	-	-	1,477,202
Changes that relate to past service:	-	-	-	-
Changes in fulfilment cash flows relating to incurred claims	-	-	-	-
Insurance service result	***(194,695,695)***	***(9,518,602)***	***109,472,887***	***(94,741,410)***
Cash inflows/(outflows) in the period:				
Premiums received	**1,871,892,783**	**-**	**-**	**1,871,892,783**
Insurance acquisition cash flows paid	(246,473,868)	-	-	(246,473,868)
Claims and other insurance service expense paid, including investment component	**(312,359,435)**	**-**	**-**	**(312,359,435)**
- *Claims and other insurance service expenses paid*	(204,283,781)	-	-	(204,283,781)
- Investment component cashflows	(108,075,654)	-	-	(108,075,654)
Net cash inflows/(outflows)	***1,313,059,480***	-	-	***1,313,059,480***
Investment components	-	-	-	-
Insurance finance income or expense, consisting of:	-	-	-	-
Change in fair value of underlying financial instruments for direct participation contract	324,219,049	-	-	324,219,049
Other insurance finance income or expense	81,514,959	5,900,086	11,747,443	99,162,488
Foreign currency translation effects	2,704,158	93,518	1,292,064	4,089,740
Total Other changes	-	-	-	-
Total changes not related to provision of insurance services	**408,438,166**	**5,993,604**	**13,039,507**	**427,471,277**
Net insurance contracts, as of December 31	4,201,893,709	69,337,796	1,020,528,601	5,291,760,106
Insurance contract liabilities, as of December 31	4,204,961,472	69,115,990	1,019,771,002	5,293,848,464
Insurance contract assets, as of December 31	(3,067,763)	221,806	757,599	(2,088,358)

11 Insurance and reinsurance contracts (Continued)

11.2 Roll-forward of the net asset or liability for life insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM (Continued)

Life Insurance contracts issued	**2024**			
	Estimate of the PVFCF	**Risk Adjustment**	**Contractual Service Margin**	**Total**
	HK$	HK$	HK$	HK$
Insurance contract liabilities, as of January 1	2,213,558,059	69,615,635	826,267,088	3,109,440,782
Insurance contract assets, as of January 1	(44,816,302)	1,530,389	29,335,660	(13,950,253)
Net insurance contracts, as of January 1	**2,168,741,757**	**71,146,024**	**855,602,748**	**3,095,490,529**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	(65,367,897)	(9,606,142)	74,974,039	-
Change in estimate result in loss & reversal of loss on onerous contract	(9,653,329)	(3,247,837)	-	(12,901,166)
Contracts initially recognised in the period	(40,178,239)	13,266,958	31,230,355	4,319,074
Changes that relate to current service:	-	-	-	-
CSM recognised in profit & loss to reflect the transfer of services	**-**	**-**	**(82,266,224)**	**(82,266,224)**
Change in the risk adjustment for non-financial risk	-	(6,236,850)	-	(6,236,850)
Experience adjustments	(10,865,544)	-	-	(10,865,544)
Changes that relate to past service:	-	-	-	-
Changes in fulfilment cash flows relating to incurred claims	-	-	-	-
Insurance service result	**(126,065,009)**	**(5,823,871)**	**23,938,170**	**(107,950,710)**
Cash inflows/(outflows) in the period:				
Premiums received	**971,595,462**	**-**	**-**	**971,595,462**
Insurance acquisition cash flows paid	(150,870,751)	-	-	(150,870,751)
Claims and other insurance service expense paid, including investment component	**(266,600,885)**	**-**	**-**	**(266,600,885)**
- *Claims and other insurance service expenses paid*	(153,554,812)	-	-	(153,554,812)
- Investment component cashflows	(113,046,073)	-	-	(113,046,073)
Net cash inflows/(outflows)	***554,123,826***	**-**	**-**	***554,123,826***
Investment components				
Insurance finance income or expense, consisting of:	-	-	-	-
Change in fair value of underlying financial instruments for direct participation contract	87,804,997	-	-	87,804,997
Other insurance finance income or expense	17,724,969	7,754,875	20,934,772	46,414,616
Foreign currency translation effects	(27,238,782)	(214,234)	(2,459,483)	(29,912,499)
Total Other changes	-	-	-	-
Total changes not related to provision of insurance services	**78,291,184**	**7,540,641**	**18,475,289**	**104,307,114**
Net insurance contracts, as of December 31	**2,675,091,758**	**72,862,794**	**898,016,207**	**3,645,970,759**
Insurance contract liabilities, as of December 31	**2,677,424,707**	**72,754,704**	**896,645,337**	**3,646,824,748**
Insurance contract assets, as of December 31	**(2,332,949)**	**108,090**	**1,370,870**	**(853,989)**

11 Insurance and reinsurance contracts (Continued)

11.2 Roll-forward of the net asset or liability for life insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM (Continued)

Reinsurance contracts held	2025			
	Estimate of the PVFCF	Risk Adjustment	Contractual Service Margin	Total
	HK$	HK$	HK$	HK$
Reinsurance contract liabilities, as of January 1	(31,558,863)	813,781	7,567,625	(23,177,457)
Reinsurance contract assets, as of January 1	43,173,759	6,397,582	152,502,281	202,073,622
Net reinsurance contracts, as of January 1	**11,614,896**	**7,211,363**	**160,069,906**	**178,896,165**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	(4,562,077)	(1,422,455)	5,984,532	-
Changes in estimates that relates to losses	102,315	(44,387)	-	57,928
Contracts initially recognised in the period	(1,836,889)	120,772	1,903,459	187,342
Changes that relate to current service:				
CSM recognised in P&L to reflect the transfer of service	-	-	(7,887,023)	(7,887,023)
Change in the risk adjustment for non-financial risk	-	(295,329)	-	(295,329)
Experience adjustments	8,895,576	-	-	8,895,576
Net expense from reinsurance contracts held	***2,598,925***	***(1,641,399)***	***968***	***958,494***
Cash (inflows)/outflows in the period:				
Reinsurance premiums paid	33,668,214	-	-	33,668,214
Amounts recovered under reinsurance contracts held, including investment components	(32,283,327)	-	-	(32,283,327)
Net cash (inflows)/ outflows	**1,384,887**	**-**	**-**	**1,384,887**
Investment components recovered from reinsurance	-	-	-	-
Effect of changes in the risk of non-performance of reinsurer	103,831	796	-	104,627
Reinsurance finance income or expense	28,901,222	1,243,399	2,298,182	32,442,803
Foreign currency translation effects	(140,449)	1,861	7,113	(131,475)
Other changes	-	-	-	-
Total changes not related to reinsurance services received	***28,864,604***	***1,246,056***	***2,305,295***	***32,415,955***
Net reinsurance contracts, as of December 31	44,463,312	6,816,020	162,376,169	213,655,501
Reinsurance contract liabilities, as of *December 31*	(30,720,361)	1,201,326	6,512,434	(23,006,601)
Reinsurance contract assets, as of *December 31*	75,183,673	5,614,694	155,863,735	236,662,102

Reinsurance contracts held	2024			
	Estimate of the PVFCF	Risk Adjustment	Contractual Service Margin	Total
	HK$	HK$	HK$	HK$
Reinsurance contract liabilities, as of January 1	(28,706,253)	1,316,443	15,681,510	(11,708,300)
Reinsurance contract assets, as of January 1	44,602,157	12,686,854	146,537,159	203,826,170
Net reinsurance contracts, as of January 1	**15,895,904**	**14,003,297**	**162,218,669**	**192,117,870**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	6,436,656	(9,338,917)	2,902,261	-
Changes in estimates that relates to losses	(10,961,074)	(307,795)	-	(11,268,869)
Contracts initially recognised in the period	(352,321)	86,638	370,017	104,334
Changes that relate to current service:				
CSM recognised in P&L to reflect the transfer of service	-	-	(7,642,672)	(7,642,672)
Change in the risk adjustment for non-financial risk	-	(524,323)	-	(524,323)
Experience adjustments	(9,637,258)	-	-	(9,637,258)
Net expense from reinsurance contracts held	***(14,513,997)***	***(10,084,397)***	***(4,370,394)***	***(28,968,788)***
Cash (inflows)/outflows in the period:				
Reinsurance premiums paid	22,145,667	-	-	22,145,667
Amounts recovered under reinsurance contracts held, including investment components	(18,374,747)	-	-	(18,374,747)
Net cash (inflows)/ outflows	**3,770,920**	**-**	**-**	**3,770,920**
Investment components recovered from reinsurance	-	-	-	-
Effect of changes in the risk of non-performance of reinsurer	(255,868)	(429)	-	(256,297)
Reinsurance finance income or expense	6,705,904	3,297,271	2,294,802	12,297,977
Foreign currency translation effects	12,033	(4,379)	(73,171)	(65,517)
Other changes	-	-	-	-
Total changes not related to reinsurance services received	***6,462,069***	***3,292,463***	***2,221,631***	***11,976,163***
Net reinsurance contracts, as of December 31	11,614,896	7,211,363	160,069,906	178,896,165
Reinsurance contract liabilities, as of *December 31*	(31,558,863)	813,781	7,567,625	(23,177,457)
Reinsurance contract assets, as of *December 31*	43,173,759	6,397,582	152,502,281	202,073,622

11 Insurance and reinsurance contracts (Continued)

11.3 The impacts on the current period of transition approaches adopted to establishing CSMs

The impact on the current period of the transition approaches adopted to establishing CSMs for insurance contracts portfolios included in the life insurance unit is disclosed in the table below:

Life Insurance contracts issued	**2025**			
	Modified retrospective	**Fair value**	**All other insurance contracts**	**Total**
	HK$	HK$	HK$	HK$
Contractual service margin, as of January 1	**60,046,926**	**540,070,243**	**297,899,038**	**898,016,207**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	2,905,189	25,948,987	**91,213,272**	120,067,448
The effects of contracts initially recognised in the period	-	-	78,034,650	78,034,650
Changes that relate to current service:				
Amount of the CSM recognised in profit and loss	(6,310,577)	(59,704,360)	(22,614,274)	(88,629,211)
Insurance service result	**(3,405,388)**	**(33,755,373)**	**146,633,648**	**109,472,887**
Foreign currency translation effects	74,775	651,613	565,676	1,292,064
Insurance finance income or expense	2,340,484	7,620,142	1,786,817	11,747,443
Other changes (if applicable)	-	-	-	-
Total changes in the statement of profit or loss and OCI	**(990,129)**	**(25,483,618)**	**148,986,141**	**122,512,394**
Contractual service margin, as of December 31	**59,056,797**	**514,586,625**	**446,885,179**	**1,020,528,601**

Life Insurance contracts issued	**2024**			
	Modified retrospective	**Fair value**	**All other insurance contracts**	**Total**
	HK$	HK$	HK$	HK$
Contractual service margin, as of January 1	**24,281,301**	**555,625,589**	**275,695,858**	**855,602,748**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	39,540,239	38,480,010	(3,046,210)	74,974,039
The effects of contracts initially recognised in the period	-	-	31,230,355	31,230,355
Changes that relate to current service:				
Amount of the CSM recognised in profit and loss	(6,346,227)	(61,147,491)	(14,772,506)	(82,266,224)
Insurance service result	**33,194,012**	**(22,667,481)**	**13,411,639**	**23,938,170**
Foreign currency translation effects	(165,417)	(1,488,108)	(805,958)	(2,459,483)
Insurance finance income or expense	2,737,030	8,600,243	9,597,499	20,934,772
Other changes (if applicable)	-	-	-	-
Total changes in the statement of profit or loss and OCI	**35,765,625**	**(15,555,346)**	**22,203,180**	**42,413,459**
Contractual service margin, as of December 31	**60,046,926**	**540,070,243**	**297,899,038**	**898,016,207**

11 Insurance and reinsurance contracts (Continued)

11.3 The impacts on the current period of transition approaches adopted to establishing CSMs (Continued)

Reinsurance contracts held	**2025**			
	CSM Modified retrospective	**CSM Fair value**	**CSM All other insurance contracts**	**Total CSM**
	HK$	HK$	HK$	HK$
Contractual service margin, as of January 1	**(859,709)**	**162,996,205**	**(2,066,590)**	**160,069,906**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	(808,038)	6,811,131	(18,561)	5,984,532
Contracts initially recognised in the period	-	-	1,903,459	1,903,459
Changes that relate to current service:				
CSM recognised in P&L to reflect the transfer of service	429,093	(8,069,773)	(246,343)	(7,887,023)
Net expense from reinsurance contracts held	**(378,945)**	**(1,258,642)**	**1,638,555**	**968**
Foreign currency translation effects	3,217	1,642	2,254	7,113
Reinsurance finance income or expense	(63,641)	2,421,440	(59,617)	2,298,182
Other changes	-	-	-	-
Total changes in the statement of profit or loss and OCI	**(439,369)**	**1,164,440**	**1,581,192**	**2,306,263**
Contractual service margin, as of December 31	**(1,299,078)**	**164,160,645**	**(485,398)**	**162,376,169**

Reinsurance contracts held	**2024**			
	CSM Modified retrospective	**CSM Fair value**	**CSM All other insurance contracts**	**Total CSM**
	HK$	HK$	HK$	HK$
Contractual service margin, as of January 1	**8,638,424**	**156,588,973**	**(3,008,728)**	**162,218,669**
Changes that relate to future services, consisting of:				
Changes in estimates that adjust the CSM	(9,688,903)	11,695,220	895,944	2,902,261
Contracts initially recognised in the period	-	-	370,017	370,017
Changes that relate to current service:				
CSM recognised in P&L to reflect the transfer of service	209,904	(7,612,107)	(240,469)	(7,642,672)
Net expense from reinsurance contracts held	**(9,478,999)**	**4,083,113**	**1,025,492**	**(4,370,394)**
Foreign currency translation effects	29,328	(131,229)	28,730	(73,171)
Reinsurance finance income or expense	(48,462)	2,455,348	(112,084)	2,294,802
Other changes	-	-	-	-
Total changes in the statement of profit or loss and OCI	**(9,498,133)**	**6,407,232**	**942,138**	**(2,148,763)**
Contractual service margin, as of December 31	**(859,709)**	**162,996,205**	**(2,066,590)**	**160,069,906**

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11 Insurance and reinsurance contracts (Continued)

11.4.1 The components of new business for insurance contracts

The components of new business for insurance contracts issued included in the life insurance unit is disclosed in the table below:

	2025		
	Contracts issued		
	Non-onerous	Onerous	Total
	HK$'000	HK$'000	HK$'000
Life insurance contract liabilities			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	1,524,101	80,328	1,604,429
Estimates of insurance acquisition cash flows	236,513	16,574	253,087
Estimate of present value of future cash outflows	**1,760,614**	**96,902**	**1,857,516**
Estimates of present value of future cash inflows	(1,855,886)	(97,064)	(1,952,950)
Risk adjustment	17,237	1,041	18,278
CSM	78,035	-	78,035
Losses on onerous contracts at initial recognition	**-**	**879**	**879**

	2024		
	Contracts issued		
	Non-onerous	Onerous	Total
	HK$'000	HK$'000	HK$'000
Life insurance contract liabilities			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	810,408	76,544	886,952
Estimates of insurance acquisition cash flows	132,804	15,047	147,851
Estimate of present value of future cash outflows	**943,212**	**91,591**	**1,034,803**
Estimates of present value of future cash inflows	(985,499)	(89,482)	(1,074,981)
Risk adjustment	11,057	2,210	13,267
CSM	31,230	-	31,230
Losses on onerous contracts at initial recognition	**-**	**4,319**	**4,319**

11 Insurance and reinsurance contracts (Continued)

11.4.2 The components of new business for reinsurance contracts

The components of new business for reinsurance contracts purchased included in the life insurance unit is disclosed in the table below:

	2025		
	Contracts purchased		
	Contracts initiated without loss-recovery component	**Contracts initiated with loss-recovery component**	**Total**
	HK$'000	HK$'000	HK$'000
Life reinsurance contract assets			
Estimate of present value of future cash outflows	(11,943)	(1,661)	(13,604)
Estimate of present value of future cash outflows	**(11,943)**	**(1,661)**	**(13,604)**
Estimates of present value of future cash inflows	10,245	1,522	11,767
Risk adjustment	65	56	121
CSM	1,633	270	1,903
Income recognised on initial recognition	**-**	**187**	**187**

	2024		
	Contracts purchased		
	Contracts initiated without loss-recovery component	**Contracts initiated with loss-recovery component**	**Total**
	HK$'000	HK$'000	HK$'000
Life reinsurance contract assets			
Estimate of present value of future cash outflows	(665)	(441)	(1,106)
Estimate of present value of future cash outflows	**(665)**	**(441)**	**(1,106)**
Estimates of present value of future cash inflows	362	392	754
Risk adjustment	14	73	87
CSM	289	81	370
Income recognised on initial recognition	**-**	**105**	**105**

11 Insurance and reinsurance contracts (Continued)

11.5 CSM recognition in profit or loss

	2025							
	Less than 1 year HK$	**1 to 2 years** HK$	**2 to 3 years** HK$	**3 to 4 years** HK$	**4 to 5 years** HK$	**5 to 10 years** HK$	**> 10 years** HK$	**Total** HK$
Insurance contracts issued								
Life insurance unit	48,560,169	45,951,040	44,448,432	42,297,318	39,414,942	165,712,705	634,143,995	1,020,528,601
Reinsurance contracts held								
Life insurance unit	4,208,169	4,725,406	4,328,336	3,888,388	3,775,156	13,787,632	127,663,082	162,376,169

	2024							
	Less than 1 year HK$	**1 to 2 years** HK$	**2 to 3 years** HK$	**3 to 4 years** HK$	**4 to 5 years** HK$	**5 to 10 years** HK$	**> 10 years** HK$	**Total** HK$
Insurance contracts issued								
Life insurance unit	38,242,902	36,427,520	34,645,130	34,353,351	33,158,288	148,151,119	573,037,897	898,016,207
Reinsurance contracts held								
Life insurance unit	4,625,790	4,458,545	4,288,423	3,945,742	3,564,847	16,599,255	122,587,304	160,069,906

11.6 Reconciliation of amounts included in OCI for financial assets at FVOCI

The movement in the fair value reserve for financial assets measured at fair value through OCI that are related to the annuity portfolio is disclosed below:

	2025 HK$	2024 HK$
Cumulative other comprehensive income, opening balance	334,472,578	151,882,781
(Losses) / Gains recognised in other comprehensive income in the period	(28,840,129)	71,651,632
Amounts recognised in profit or loss during the period	(10,964,956)	(3,400,048)
Other changes	(35,217,408)	114,338,213
Cumulative other comprehensive income, closing balance	259,450,085	334,472,578

11 Insurance and reinsurance contracts (Continued)

11.7 Process used to decide on assumptions

Insurance contracts liabilities comprise of fulfilment cash flows which consists of estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows and a risk adjustment for non-financial risk. It also comprises of the contractual service margin. The insurance contract liabilities are determined by the Company's appointed actuary on the basis of best estimate assumptions.

Annual investigations are performed to measure the number of deaths and other insured events by cohorts of homogenous contract holders. Based on these investigations trends in number of deaths and other insured events and variations of actual compared to that expected are identified. Using the trends identified we make assumptions for future number of deaths and other insured events. The factors that affect the expected number of deaths and other insured events include age, gender and smoking habits.

An annual analysis of the expenses required to maintain the policies in force is performed. Based on this analysis a per policy administration expense assumption is made.

Qualifying expenses are any acquisition expenses or maintenance expenses that can be attributed directly to the policy. The qualifying percentage is compiled based on the nature of the individual actual expense items, as suggested by the Company's accounting policies and guidance.

In deciding the liability assumptions the appointed actuary complies with the Professional Standard issued by the Actuarial Society of Hong Kong.

11.8 Change in assumptions

The Company changes its assumptions as appropriate for the insurance contracts disclosed in this note. In 2025, the per policy administration expenses assumptions, mortality / morbidity assumptions, lapse and paid-up assumptions, and asset management charge assumption were changed based on the process described in note 11.7.

12 Other liabilities

	2025 HK$	2024 HK$
Expenses accrual	15,100,762	14,960,064
Deferred income	4,269,777	2,885,619
Other trade payables	52,863,756	18,676,343
Amount due to fellow subsidiaries	40,610,393	76,944,458
	112,844,688	113,466,484

Amounts due to fellow subsidiaries are unsecured, interest-free and payable on demand.

13 Share capital

	Number of shares	Share capital HK$
Ordinary shares, issued:		
At 31 December 2024 and 31 December 2025	1,181,200	1,181,200,000

14 Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the period:

		2025 Life contracts	**2024 Life contracts**
		HK$'000	HK$'000
Amounts relating to the changes in the liability for remaining coverage			
Expected insurance service expenses incurred in the period	a	208,704	159,519
Change in the risk adjustment for non-financial risk	b	7,551	6,157
Amount of CSM recognised in profit or loss	c	88,628	82,266
Amounts relating to recovery of insurance acquisition cash flows			
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	d	27,654	12,227
Insurance revenue		**332,537**	**260,169**

Notes:
a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Company expects to pay on insured events that occurred during the period. Refer to note 2.12(l)(i) for the full list of the cash flows included.
b. Change in risk adjustment shows amount of risk which expired during the period. Refer to note 2.12 for the details of accounting policy.
c. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units. Refer to note 2.12.
d. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts. Refer to note 2.12 for details of accounting policy.

15 Net expenses from reinsurance contracts held

		2025 HK$	2024 HK$
Amounts relating to the changes in the assets for remaining coverage			
Expected recovery for insurance service expenses incurred in the period	a	(7,887,023)	(7,642,672)
Change in the risk adjustment for non-financial risk	b	(86,778)	(921,353)
Net cost recognised in profit or loss	c	(18,456,030)	(17,939,175)
Allocation of reinsurance premiums		(26,429,831)	(26,503,200)
Amounts recoverable for claims and other expenses incurred in the period		24,807,666	9,621,135
Changes in amounts recoverable arising from changes in liability for incurred claims		2,434,134	(912,268)
Changes in fulfilment cash flows which relate to onerous underlying contracts		146,525	(11,174,455)
Ceded incurred claims and other incurred insurance service expenses		27,388,325	(2,465,588)
Net income / (expenses) from reinsurance contracts held		958,494	(28,968,788)

Notes:
a. Expected recovery for insurance service expenses incurred in the period comprise recovery for claims and other expenses which the Company expects to receive from reinsurers on insured events occurred during the period.
b. Change in risk adjustment shows amount of risk which expired during the period. Refer to note 2.12 for the details of accounting policy.
c. Net cost/gain recognised in profit or loss during the coverage period of the corresponding group of reinsurance contracts held based on coverage units. Refer to note 2.12.

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16 Total investment income and net insurance financial result

	2025 Insurance related HK$'000	2025 Non-Insurance related HK$'000	2025 Total HK$'000	2024 Insurance related HK$'000	2024 Non-Insurance related HK$'000	2024 Total HK$'000
Investment income						
Other interest and similar income	85,284	5,897	91,181	72,935	10,255	83,190
Net fair value gains on financial assets at fair value through profit or loss	351,284	13,258	364,542	85,529	9,952	95,481
Net realised losses financial assets at fair value through other comprehensive income	(20,645)	(14,626)	(35,271)	(4,332)	(6,962)	(11,294)
Impairment (loss) / recovery on financial assets	(81)	83	2	275	-	275
Net realised and unrealised losses on derivative financial instruments	-	(9,289)	(9,289)	-	(2,316)	(2,316)
Net foreign exchange income / (expense)	12,789	208	12,997	(5,933)	(933)	(6,866)
Unrealised net fair value gains / (losses) on financial assets measured at fair value through other comprehensive income	73,090	19,366	92,456	(89,694)	2,448	(87,246)
Change in liabilities for investment contracts	(47,171)	-	(47,171)	(16,635)	-	(16,635)
Total investment income	**454,550**	**14,897**	**469,447**	**42,145**	**12,444**	**54,589**
Represented by:						
Amounts recognised in the profit or loss	381,460	(4,469)	376,991	131,839	9,996	141,835
Amounts recognised in OCI	73,090	19,366	92,456	(89,694)	2,448	(87,246)
Insurance finance expenses from insurance contracts issued						
Interest accreted to insurance contracts using current financial assumptions	(16,905)	-	(16,905)	(32,521)	-	(32,521)
Interest accreted to insurance contracts using locked-in rate	(82,259)	-	(82,259)	(13,894)	-	(13,894)
Change in fair value of underlying financial instruments for direct participation contract	(324,217)	-	(324,217)	(87,805)	-	(87,805)
Total insurance finance (expenses) / income from insurance contracts issued	**(423,381)**	**-**	**(423,381)**	**(134,220)**	-	**(134,220)**
Represented by:						
Amounts recognised in the profit or loss	(378,294)	-	(378,294)	(153,285)	-	(153,285)
Amounts recognised in OCI	(45,087)	-	(45,087)	19,065	-	19,065
Reinsurance finance income / (expenses) from reinsurance contracts held						
Changes in non-performance risk of reinsurer	105	-	105	(256)	-	(256)
Interest accreted to reinsurance contracts using locked-in rate	30,145	-	30,145	10,003	-	10,003
Effect of changes in interest rates and other financial assumptions	2,298	-	2,298	2,295	-	2,295
Reinsurance finance expenses from reinsurance contracts held	**32,548**	**-**	**32,548**	**12,042**	**-**	**12,042**
Represented by:						
Amounts recognised in the profit or loss	3,201	-	3,201	3,793	-	3,793
Amounts recognised in OCI	29,347	-	29,347	8,249	-	8,249
Total net investment income, insurance finance expenses and reinsurance finance income	63,717	14,897	78,614	(80,033)	12,444	(67,589)
Represented by:						
Amounts recognised in the profit or loss	6,367	(4,469)	1,898	(17,653)	9,996	(7,657)
Amounts recognised in OCI	57,350	19,366	76,716	(62,380)	2,448	(59,932)

17 Fee income / (expenses)

	2025 HK$	2024 HK$
Investment contracts related fee income	3,728,781	4,124,667
Fee related expenses	(3,683,220)	(1,275,785)
	45,561	2,848,882

18 Other income

	2025 HK$	2024 HK$
Sundry income	2,405,504	2,118,335
	2,405,504	2,118,335

19 Other operating expenses

	2025 HK$	2024 HK$
Group service fees payable to a fellow subsidiary and expenses allocated from head office (note 22.2)	163,269,336	157,615,381
Qualified expenses reclassed to insurance service expenses	(71,470,675)	(56,383,419)
Advertising expenses	4,160,702	1,822,275
Professional Fee	2,304,810	4,357,277
Auditors' remuneration	4,095,494	3,969,110
Other expenses	15,571,057	4,384,874
	117,930,724	115,729,498

20 Income tax

20.1 Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year. The estimated assessable profit has been determined at 5% of the net written premiums for life insurance business and adjusted profits for other than life insurance business.

The amount of taxation in the income statement represents:

	2025 HK$	2024 HK$
Hong Kong profits tax		
- current year	13,406,509	4,575,195
- over-provisions in prior years	(170,510)	-
	13,235,999	4,575,195

20 Income tax (Continued)

20.2 The amount of taxation in the statement of financial position represents:

	2025 HK$	2024 HK$
Income tax liabilities	6,544,256	2,488,864

20.3 At the end of the reporting period, the Company does not have any unutilised tax loss (2024: Nil) and no deferred tax asset has been recognised at the end of the reporting period.

20.4 The Company has applied the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar II income taxes, introduced under the Organisation for Economic Co-operation and Development (OCED) Base Erosion and Profit Shifting (BEPS) Pillar II Framework.

BEPS – Pillar II legislation has been enacted in Hong Kong. From 1 January 2025, the Company is subject to BEPS – Pillar II income taxes pursuant to the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025. Any BEPS – Pillar II income taxes arising will be recognised by the Company as current tax expenses in the period which it is incurred.

For the financial year ended 31 December 2025, the current income tax expense of the Company in respect of BEPS – Pillar II is zero. The Company will continue to monitor the BEPS – Pillar II legislative developments in Hong Kong.

21 Director’s emoluments

Remuneration of the Company's directors disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

	2025 HK$	2024 HK$
Directors’ fee	612,000	612,000

The directors’ fee of HK$612,000 (2024: HK$612,000) are included in “Group service fees payable to a fellow subsidiary and expenses allocated from head office” to the other operating expenses. It is not paid directly by the Company, but the directors receive remuneration from a fellow subsidiary of the Zurich Group.

22 Related party transactions

Other than those disclosed in note 8.4 and note 12 above, the material related party transactions are as follows:

22.1 The Company maintains several treaty reinsurance arrangements and had transactions with fellow subsidiaries and intermediate holding company during the year as follows:

	2025 HK$	2024 HK$
Reinsurance premiums and expenses (included in insurance service result)	13,064,582	12,730,535
Claim recovery (included in insurance service result)	(17,695,047)	(4,325,712)
Accretion of interest (included in reinsurance finance income for reinsurance contracts held)	(3,778,661)	(4,829,604)
Changes in fulfilment cash flows which relate to onerous underlying contracts (included in insurance service result)	(170,457)	368,269

22.2 The Company received supporting services including key personnel, accounting, claims, personnel and administration, information technology, customer service and technical supporting services from a fellow subsidiary and head office:

	2025 HK$	2024 HK$
Group service fees charged by a fellow subsidiary and expenses allocated from head office (note 19)	163,269,336	157,615,381

23 Cash flows generated from / (used in) operations

	2025 HK$	2024 HK$
Loss before taxation	(17,881,729)	(39,436,883)
Adjustments for:		
Depreciation – Right-of-use assets	2,299,175	2,410,533
Depreciation – Property, plant, and equipment	1,578,793	1,578,793
Amortisation of debts securities	(12,825,017)	(10,704,580)
Additions of intangible assets	12,757	(86,921)
Amortisation of intangible assets	1,664,286	1,096,920
Amortisation of deferred front end fee	(537,730)	(217,882)
Addition of deferred front end fee	1,921,888	2,065,733
Dividend income	(5,491,511)	(4,155,498)
Interest expenses	18,117,965	9,038,482
Interest income	(38,286,185)	(41,632,233)
Interest received	38,674,667	40,348,412
Dividend received	5,491,511	4,155,498
Unrealised (gain) / loss on exchange	(11,508,728)	2,851,940
Realised gain on debts securities at FVPL	(104,658)	-
Net fair value change on assets at FVTPL	(312,317,338)	(76,606,777)
Net gain on disposal of equity funds	(50,199,615)	(19,040,258)
Net loss on disposal of debts securities at FVOCI	33,998,589	11,511,114
Impairment recovery on financial assets	(2,360)	(274,535)
Increase in insurance & investment contracts liabilities	1,658,718,494	555,985,058
Increase in other liabilities	33,525,846	18,953,753
Change in derivative financial instruments	1,205,220	(683,568)
Decrease in amount due from fellow subsidiaries	11,816,057	1,869,772
(Decrease) / increase in amount due to fellow subsidiaries	(36,906,967)	14,534,088
(Increase) / decrease in reinsurance contract assets	(34,982,385)	13,221,705
(Increase) / decrease in other receivables	(9,870,173)	621,458
Change in discount rate for reinsurance contracts	(15,740,914)	27,313,300
Purchase of financial assets:		
- Equity funds	(5,768,863,524)	(2,671,339,640)
- Debt securities	(361,251,757)	(261,448,554)
Proceeds from sales of financial assets:		
- Equity funds	4,661,142,315	2,210,801,986
- Debt securities	447,964,899	156,692,874
Net cash flows generated from / (used in) operations	241,361,871	(50,575,910)

24 Immediate and ultimate holding company

As at 31 December 2024 and 2025, the Company is controlled by Zurich Insurance Holdings (Hong Kong) Limited, a company incorporated in Hong Kong, which owns 100% of the Company's shares. The directors regard Zurich Insurance Group Ltd, a company incorporated in Switzerland, as being the ultimate holding company.

25 Approval of financial statements

The financial statements were approved by the board of directors on 27 April 2026.