Bupa (Asia) Limited

保栢 (亞洲) 有限公司

Directors' Report and Financial Statements
for the year ended 31 December 2024

Directors' report

The directors have pleasure of submitting their annual report together with the audited financial statements and financial information for the year ended 31 December 2024.

Principal place of business

Bupa (Asia) Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 6/F & Unit Nos. 701B, 702-704 of Tower 2, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon.

Principal activity

The principal activity of the Company is the provision of medical insurance. The Company does not carry on any business in respect of statutory business as defined under Schedule 1 of the Hong Kong Insurance Ordinance.

Business review

No business review is prepared for the 2024 financial year as the Company is a wholly owned subsidiary of Bupa International Limited and so exempt under section 388(3) of the Hong Kong Companies Ordinance.

Results and dividends

The results of the Company for the year ended 31 December 2024 and the financial position of the Company as at that date are set out in the financial statements on pages 8 to 57.

The directors recommended a final interim dividend of HK$80,000,000 for year ended 31 December 2024 (2023: $Nil), subject to relevant approvals (including the approval from the Hong Kong Insurance Authority). The proposed final dividend is not recognised as a liability at 31 December 2024 (2023: $Nil).

Share capital and reserves

Details of the movements in share capital and reserves of the Company are set out in the statement of changes in equity on page 11.

Indemnity of directors

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

Directors

The directors of the Company as defined in the Hong Kong Companies Ordinance and the Hong Kong Insurance Ordinance, during the financial year and up to the date of this report were:

Executive Directors	
Fiona Harris	(appointed on 1 February 2024)
Angelo Loizou	
Andrew John Kinkade	(appointed on 31 March 2025)
Alex Perry	(appointed on 12 March 2024 and resigned on 18 May 2024)

Directors (continued)

Independent non-executive directors

Edmund Tang	(appointed on 12 March 2024)
Paul Michael Kennedy	(appointed on 13 June 2024)
Catherine Tao Yang	(resigned on 26 March 2024)
John Howard Lorimer	(resigned on 31 December 2024)

In accordance with the Company's articles of association, all the present directors continue in office for the ensuing year.

Controllers

The controllers of the Company, as defined in the Hong Kong Insurance Ordinance, during the financial year and up to the date of this report were:

The British United Provident Association Limited	*(Ultimate holding company)*
Bupa Finance Plc	*(Intermediate holding company)*
Bupa International Limited	*(Immediate holding company)*
Bupa Investments Limited	*(Immediate holding company)*
Fiona Harris	(appointed on 1 February 2024)
Ignacio Ereño Iribarren	

Directors' and controllers' interests in transactions, arrangements or contracts

For the year ended 31 December 2024, there existed an arrangement whereby Bupa International Limited ("BIL"), the immediate holding company, provided management services to the Company in return for a service fee. No director or controller of the Company had any financial interest in the arrangement.

For the year ended 31 December 2024, there existed an administration services agreement whereby Bupa Insurance Services Limited ("BISUK"), a fellow subsidiary of the Company, provided services as administrators to the Company in return for a service fee. No director or controller of the Company had any financial interest in the agreements.

For the year ended 31 December 2024, a 90% quota share reinsurance arrangement existed between the Company and a fellow subsidiary, Bupa Insurance Limited ("BILUK"), to cover the risk exposure on the medical insurance business. No director or controller of the Company had any financial interest in the arrangement.

At 31 December 2024, the Company has a loan to Bupa Investments Limited, with principal and interest accumulated amounting to $153,232,227 (2023: $147,511,811). The loan is unsecured, interest-bearing at 12 month HIBOR minus 78 basis points (2023: 12 month HIBOR minus 78 basis points) and repayable upon demand. No director or controller of the Company had any financial interest in the loan agreement. The loan will mature on 6 March 2026.

Apart from the foregoing, no other transactions, arrangements or contracts of significance, to which the Company, its holding companies or fellow subsidiaries was a party, and in which a director or controller of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' and controllers' interests in shares and debentures

At no time during the year was the Company, or any of its holding companies or fellow subsidiaries a party to any arrangements to enable the directors or 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.

Material reinsurance and bancassurance arrangements

Related party reinsurance arrangement

The Company entered into a 90% quota share reinsurance agreements with a fellow subsidiary, BILUK, to cover the risk exposure on some of the Company's medical insurance contracts with effect from 1 March 2009. The portfolio remains effective in the current year.

Reinsurance outward arrangement

The Company entered into a 75% quota share reinsurance agreement with General Reinsurance AG to cover the risk exposure on the Bupa Critical Essential Care plan with effect from 1 July 2009 and also entered into a 30% quota share reinsurance agreement to cover the risk exposure on Bupa Safe plan with effect from 1 May 2021.

The Company entered into a 50% quota share reinsurance agreement with The Tokio Marine and Fire Insurance Co. (Hong Kong) Ltd. to cover the risk exposure on some of the Company's corporate portfolio with effect from 1 January 2019.

The Company entered into a 80% quota share reinsurance agreement with Allianz SE to cover the risk exposure on two of the Company's corporate contracts in 2019.

The Company entered into a 100% quota share reinsurance agreement with Zurich Insurance Company Ltd to cover the risk exposure on some of the Company's corporate portfolio with effect from 1 January 2021.

The Company entered into a quota share reinsurance agreement, of which the percentage of share ranges from 50% to 100%, with Assicurazioni Generali S.p.A - Luxembourg Branch to cover the risk exposure on some of the Company's corporate contracts with effect from 15 March 2022.

Reinsurance inward arrangement

The Company accepted a 80% quota share reinsurance agreement with Bank of China Group Life Assurance Company Limited as a reinsurer to cover the risk exposure on their individual medical riders with effect from 1 August 2021.

Bancassurance arrangement

An exclusive Distribution Agreement remained in place between the Company and Hang Seng Bank Limited, whereby the bank distributes medical insurance products of the Company on an exclusive basis on the terms set out in the agreement for 10 years, which expired on 30 September 2024.

Auditors

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

By order of the board

Fiona Harris

Director

Hong Kong

1 April 2025

pwc 羅兵咸永道

Independent Auditor's Report

To the Members of Bupa (Asia) Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Bupa (Asia) Limited (the "Company"), which are set out on pages 8 to 57, comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

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

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

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

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

Responsibilities of Directors and 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 April 2025

Statement of profit or loss and other comprehensive income for the year ended 31 December 2024

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	*2024* $	*2023* $
Insurance revenue	4	4,067,678,521	4,096,861,369
Insurance service expenses	5	(3,838,839,549)	(4,222,875,572)
Insurance service result before reinsurance contracts held		228,838,972	(126,014,203)
Allocation of reinsurance premiums paid	14(b)	(722,259,353)	(650,251,425)
Amounts recoverable from reinsurers for incurred claims	14(b)	520,147,110	513,107,516
Net expenses from reinsurance contracts held		(202,112,243)	(137,143,909)
Insurance service result		26,726,729	(263,158,112)
Other income	6	100,707,450	102,835,167
Depreciation and amortisation		(29,440,667)	(39,982,508)
Other operating expenses		(27,377,980)	(15,845,785)
Management expenses		**(56,818,647)**	**(55,828,293)**
Profit/(loss) before taxation	7	**70,615,532**	**(216,151,238)**
Taxation expense	8	—	**(41,559,411)**
Profit/(loss) for the year attributable to shareholders of the Company		**70,615,532**	**(257,710,649)**
Total comprehensive income/(loss) for the year attributable to shareholders of the Company		**70,615,532**	**(257,710,649)**

The notes on pages 14 to 57 are an integral part of the financial statements.

Statement of financial position as at 31 December 2024
(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	*2024*	*2023*
		$	$
Non-current assets			
Goodwill	11	20,752,528	20,752,528
Intangible assets	12	266,540,647	180,270,477
Property, plant and equipment	13	2,221,314	297,068
		289,514,489	201,320,073
Current assets			
Other assets	15	186,095,777	274,686,916
Fixed deposits with financial institutions with original maturity more than three months	3(b)	2,055,832,966	1,714,220,647
Cash and cash equivalents	16	221,557,718	497,056,456
Reinsurance contract assets	14(b)	505,227,086	457,944,004
Current taxation assets		28,327,242	28,327,242
		2,997,040,789	2,972,235,265
Current liabilities			
Insurance contract liabilities	14(a)	1,994,513,670	1,995,106,053
Other creditors and accruals	17	158,760,603	115,783,812
		2,153,274,273	2,110,889,865
Net current assets		843,766,516	861,345,400
Total assets less current liabilities		1,133,281,005	1,062,665,473
NET ASSETS		1,133,281,005	1,062,665,473

Statement of financial position as at 31 December 2024 (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	*2024* $	*2023* $
CAPITAL AND RESERVES			
Share capital	18	602,000,000	602,000,000
Retained profits		531,281,005	460,665,473
TOTAL EQUITY		**1,133,281,005**	**1,062,665,473**

The financial statements on page 8 to 57 were approved and authorised for issue by the board of directors on 1 April 2025 and were signed on its behalf

Fiona Harris Director/Chief Executive	Angelo Loizou Director

The notes on pages 14 to 57 are an integral part of the financial statements.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

	Share capital $	*Retained Profits* $	*Total* $
Balance as at 1 January 2023	302,000,000	718,376,122	1,020,376,122
Issue of shares	300,000,000	—	300,000,000
Loss and total comprehensive loss for the year	—	(257,710,649)	(257,710,649)
Balance as at 31 December 2023 and 1 January 2024	602,000,000	460,665,473	1,062,665,473
Profit and total comprehensive income for the year	—	70,615,532	70,615,532
Balance as at 31 December 2024	602,000,000	531,281,005	1,133,281,005

The notes on pages 14 to 57 form part of these financial statements.

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

	Note	*2024* $	*2023* $
Operating activities			
Profit/(loss) before taxation		70,615,532	(216,151,238)
Adjustments for:			
Depreciation and amortisation	7	53,544,164	54,556,236
Interest income	6	(85,545,109)	(77,472,756)
Loss on disposal of intangible assets	7	2,447,425	—
Provision for/(reversal of provision for) bad debts	7	1,173,236	(357,575)
Operating profit/(loss) before changes in working capital		42,235,248	(239,425,333)
(Decrease)/increase in insurance contract liabilities		(1,765,619)	209,938,039
Increase in reinsurance contract assets		(47,283,082)	(60,253,873)
Decrease in other assets		94,311,554	37,414,608
Increase in other creditors and accruals		42,976,791	9,049,190
Cash generated from/(used in) operations		130,474,892	(43,277,369)
Profits tax refunded		—	24,260,392
Net cash generated from/(used in) operating activities		130,474,892	(19,016,977)

The notes on pages 14 to 57 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2024 (Continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	*2024* $	*2023* $
Investing activities			
Payment for purchase of property, plant and equipment, and intangible assets		(144,186,005)	(77,474,022)
Interest received		78,737,008	52,849,142
Purchases of fixed deposits with financial institutions with original maturity more than three months		(340,524,633)	(15,798,223)
Net cash used in investing activities		(405,973,630)	(40,423,103)
Financing activity			
Proceeds from issue of shares	18	—	300,000,000
Net cash generated from financing activity		—	300,000,000
(Decrease)/increase in cash and cash equivalents		(275,498,738)	240,559,920
Cash and cash equivalents at 1 January		497,056,456	256,496,536
Cash and cash equivalents at 31 December	16	221,557,718	497,056,456

The notes on pages 14 to 57 form part of these financial statements.

Notes to the financial statements
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Summary of accounting policies

1.1 Material accounting policies information

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

A summary of the material accounting policies adopted by Bupa (Asia) Limited ("the Company") is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 1.1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on a historical cost basis except for:

- Insurance contract liabilities and reinsurance contract assets which are measured by applying the premium allocation approach specified in HKFRS 17 as explained in Note 1.1(d).

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

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

(i) New and amended standards adopted by the Company

The Company has adopted all new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2024. These did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standard affected	New standards or amendments to existing standards	Applicable for financial year
Amendments to HKAS1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024

(ii) New standards and interpretations that are effective but have not yet been adopted

There are no new standards or interpretations that are effective for the 31 December 2024 reporting period that have not been adopted.

(iii) New and amended standards not yet adopted by the Company

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 31 December 2024 reporting period and have not been early adopted by the Company. These standards, amendments and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Insurance contracts

Contracts under which the Company accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiaries if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiaries are classified as insurance contracts.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts

Measurement models
HKFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the general measurement model ("GMM"), contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. An optional, simplified premium allocation approach ("PAA") is permitted for the liability for remaining coverage for eligible short-duration contracts.

In applying the standard, the Company has reviewed the Company's insurance and reinsurance contracts and determined the contract boundary for majority of the Company's policy to be one year or less. As a result, the Company has taken the available policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM. The liability for incurred claims ("LFIC") is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

The liability for remaining coverage ("LFRC") under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LFRC is amortised to recognise the revenue and insurance expenses ("insurance acquisition cash flows") on a passage of time basis over the coverage period.

Under the PAA, a risk adjustment is recognised on all LFIC balances and LFRC balances for onerous contracts issued. The Company has taken the decision to use a confidence level technique to estimate the risk adjustment.

The majority of insurance and reinsurance contracts are automatically eligible for the PAA measurement model due to having a coverage period of one year or less. The Company has a small number of policy groups with a coverage period of greater than a year. For groups of these contracts, which are not automatically eligible for the PAA, the Company has performed eligibility testing to ensure there is no material difference in measurement between the PAA and what would be recognised under the GMM, as required under the standard. This required the use of a model of the GMM building blocks and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed.

Level of aggregation
The level of aggregation for applying the recognition and measurement requirements of HKFRS 17 is determined firstly by dividing the business written into portfolios. A portfolio comprises contracts that are subject to similar risks and are managed together. The Company has determined that it has only one portfolio as it essentially sells one health insurance product line, where cash flows are generally expected to respond similarly in direction and timing to changes in assumptions.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

Level of aggregation (continued)
Each portfolio is then disaggregated into groups of contracts based on profitability at inception:

- Contracts that are onerous at initial recognition.
- Contracts that have no significant possibility of becoming onerous subsequently; and
- all remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured and contracts stay within that same group until they are derecognised. The Company does not have any contracts that require further separation or combination of insurance contracts.

As the Company applies the PAA to measure insurance contracts, it assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. The Company assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

HKFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Where the difference in HKFRS 17 recognition and measurement requirements applied with and without separation of the annual cohorts is expected to be immaterial, the Company does not further segregate insurance contracts groups by cohorts. If this assessment cannot definitely conclude that profitable cohorts will not materially offset loss-making cohorts, the Company applies the recognition and measurement requirements (and therefore performs onerous contract testing) at the cohort level.

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

- The beginning of the coverage period.
- The date when the first payment from a policyholder in the group becomes due or when the first payment is received if there is no due date.
- When the group becomes onerous.

Groups of reinsurance contracts held are intially recognised from the earliest of:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

Modification and derecognition
A contract that qualifies as an insurance contract remains so until all rights and obligations are extinguished, or the contract is derecognised because of a contract modification. If the terms are modified, the Company derecognises the original insurance contract and recognises a new contract if any of the conditions listed below are met:

- If the modified contract would have been excluded from the scope of HKFRS 17.
- An entity would have separated different components from a host insurance contract resulting in a different insurance contract to which HKFRS 17 would have applied.
- The modified contract would have a substantially different contract boundary.
- The modified contract would have been included in a different group of contracts at initial recognition.
- The contract was accounted for under the PAA, but the modifications mean that the contract no longer meets the eligibility criteria for that approach.

When a contract within a group measured under the PAA meets any of the derecognition criteria, the difference in fulfilment cash flows is recognised in profit or loss. When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification as an adjustment to the relevant liability for remaining coverage.

Contract boundary
The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group that it expects to collect from premiums and pay out for claims, benefits and expenses. Cash flows are within the boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation ends when:

- the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
    - The Company has the practical ability to reassess the risks of the portfolio of contracts that contains the contract and as a result can set a price or level of benefits that fully reflects reassessed risk of that portfolio.
    - Pricing of premiums up to the date when risks are reassessed does not reflect risks related to periods beyond the reassessment date.

The Company does not have cash flows outside the contract boundary relate to future insurance contracts and all costs are recognised when incurred.

Initial measurement - Insurance contracts
The Company applies the PAA for the measurement of all insurance contracts that it issues. The majority of the Company's contracts automatically qualify for the PAA as the coverage period of each contract in the group is one year or less. For the remaining contracts it is reasonably expected that using the PAA would produce a measurement of the LFRC that would not differ materially from the one that would be produced by applying the general measurement model. The assessment is made for each group of contracts.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

On initial recognition of each group of insurance contracts, the carrying amount of the LFRC is measured as:

- the premiums, if any, received at initial recognition

The LFRC is not adjusted for insurance acquisition cash flows because these were all expensed when incurred.

Initial measurement - Reinsurance contracts
The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Subsequent measurement - Insurance contracts
At each of the subsequent reporting dates, the LFRC is:

- increased for premiums received in the period.
- decreased for amounts of expected premiums received recognised as insurance revenue for the services provided in the period.

The LFRC is not subsequently adjusted for insurance acquisition cash flows because these were all expensed when incurred.

The Company releases revenue on a passage of time basis over the coverage period. The Company has chosen not to adjust the LFRC to reflect the time value of money and the effect of financial risk, as the Company expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is no more than one year.

The Company recognises the LFIC of a group of insurance contracts as the present value of the expected cash flows required to settle the obligation with an adjustment for non-financial risk. The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for incurred claims that are expected to be paid within one year of occurrence.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

Subsequent measurement - Insurance contracts (continued)
If facts and circumstances indicate that a group of contracts is onerous, the Company recognises a loss in profit or loss and increases the LFRC to the extent that the current estimates of the fulfilment cash flows that relate to the remaining coverage exceed the carrying amount of the LFRC. Subsequently, the Company amortises the loss component within the LFRC based on the passage of time over remaining coverage period by decreasing insurance service expenses.

Fulfillment cash flows
The measurement of each group of contracts in the scope of HKFRS 17 include all future cash flows within the boundary of each group of contracts. These cash flows are based on probability weighted estimate of future cash flows that will arise as the insurer fulfils the insurance contract.

Fulfilment cash flows are only required for the liability for remaining coverage if the group of contracts is onerous.

The LFIC represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid. A claims episode is an insured medical service that the Company has an obligation to fund which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. Fulfilment cash flows included in the liability for incurred claims arising from insurance contracts include expected payments and expenses required to settle outstanding claims related to past services, including claims management and handling expenses. The key inputs used in the calculation of the liability for incurred claims include claims completion factor and risk adjustment for non-financial risk. The Company performs regular assessments of expenses and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts. The LFIC is set in line with the Company's Claims Reserving standards, at a level to achieve an appropriate probability of sufficiency and is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the claims estimates for prior years are included in the statement of profit and loss and other comprehensive income in the financial year in which the change is made.

Onerous contracts
HKFRS 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'. The Company essentially sells one 'health insurance' product line, where cash flows are generally expected to respond similarly in direction and timing to changes in assumptions, and the Company manages the insurance business as one. The Company has therefore determined the health insurance book forms one portfolio.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into groups of contracts for the identification of onerous contracts. There is a presumption under the PAA that no contracts are onerous unless there are clear facts and circumstances that indicate otherwise. However, the requirement to identify onerous contracts means that business is generally accounted for at a level lower than portfolios, being profitability groupings. This is the basis on which HKFRS 17 requires various assessments to be made e.g. PAA eligibility and therefore the determination of the unit of account is a key judgement in applying HKFRS 17.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

Onerous contracts (continued)

To identify potentially onerous contracts, the Company has considered information reviewed by senior management in monitoring financial performance. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued using the estimated fulfillment cashflows for the group of insurance contracts, using the building blocks from the GMM, including an assessment of the risk adjustment determined for the LFRC using a confidence interval approach.

Where reinsurance contracts held reinsure onerous insurance contracts issued, the measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses.

Discounting

Under the PAA, discounting is optional for the LFRC carrying amount if the time between providing each part of the coverage and the related premium is one year or less and is optional for the LFIC if claims are expected to be paid in one year or less from the date the claims are incurred.

The Company has taken the decision not to discount both the LFRC and LFIC, as the majority of policies meet the conditions outlined above and the effect of discounting on the remaining policies is not expected to be material.

Risk adjustment

Judgement is also required to determine the 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. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Company has estimated the risk adjustment using a confidence level approach at the 75th percentile for LFIC and the 85th percentile for LFRC. Indifference to uncertainty is equivalent to the set percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The level is set based on the historic accuracy of initial estimation to ultimate claims, in order to mitigate the degree of uncertainty attached to the underlying liability to an appropriate degree of confidence. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles. The methods used and estimates made for liability for incurred claims are reviewed regularly.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(d) Recognition and measurement of insurance contracts (continued)

Subsequent measurement - Reinsurance contracts
The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows
Insurance acquisition cash flows arise from the costs of selling, underwriting and starting or renewing a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. It includes external and internal costs and incremental direct and indirect costs. For groups of contracts where all contracts have a coverage period of one year or less, the Company has taken the policy decision available to expense insurance acquisition cash flows as incurred.

The Company's policy is to expense acquisition costs as they are incurred for all contracts with a coverage period of one year or less.

The Company's measurement of insurance and reinsurance contracts under HKFRS 17 are detailed in Note 14.

Presentation and disclosure of insurance contracts
For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The insurance service result under HKFRS 17 comprises insurance revenue and insurance service expenses. Investment components are no longer included in insurance revenue and insurance service expenses. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Company's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1.1(g)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Intangible assets

Intangible assets include internally developed computer software development costs and exclusive distribution rights. Intangible assets are stated at cost less amortisation and impairment losses.

Computer software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(f) Intangible assets (continued)

Exclusive distribution rights are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the distribution rights.

Computer software development costs and exclusive distribution rights are recognised as assets and are amortised on a straight-line basis to the statement of profit or loss and other comprehensive income within marketing and administration expenses and amortisation of distribution rights over their estimated useful lives respectively. Amortisation commences when the asset is available for use and ceases when it is derecognised. The useful life of the intangible assets are as follows:

Computer software development costs	3 - 7 years
Exclusive distribution rights	10 years

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 (see Note 1.1(g) for the accounting policy on impairment).

(g) Impairment

Impairment of other assets
Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- goodwill; and
- intangible assets.

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

- Calculation of the recoverable amount

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

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(g) Impairment (continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then, to reduce the carrying amount of the other assets in the unit (or group of CGUs) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

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

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

(h) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future profits will be available against which the asset can be utilised, are recognised.

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

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(h) Income tax (continued)

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

(i) Revenue recognition

The principal activity of the Company is the provision of medical insurance. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Insurance revenue

Insurance revenue for the period is the amount of expected premium receipts allocated over the coverage period of the group of insurance contracts based on the basis of the passage of time.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Fee income

Fee income from the provision of medical administration services in relation to medical insurance policies is recognised as the services are provided.

(j) Insurance service expenses

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts. Insurance claims are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured medical service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs.

Incurred claims comprise insurance claims paid during the year together with related handling costs and the movement in the gross provision for claims in the period. Refer to Note 14 for details of the liability for incurred claims.

Acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Refer to Note 1.1(d) Insurance contracts for the accounting policy on insurance acquisition costs.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfillment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(j) Insurance service expenses (continued)

Changes in the risk adjustment for non-financial risk are presented in the insurance service result and are not disaggregated into an insurance service component and an insurance finance component.

(k) Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(l) Financial assets

Debt instruments measured at amortised cost

(i) Classification
Management determines the classification of its financial assets at initial recognition.

The financial assets of the Company consist of cash and cash equivalents, fixed deposits with financial institutions with original maturity more than three months, and amounts due from group companies. All of these are financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal amount outstanding and are held to collect the contractual cash flows.

In accordance with HKFRS 9, these financial assets are classified as debt instruments measured at amortised cost.

(ii) Recognition and measurement
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 initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. The financial assets are subsequently measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Derecognition
Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Any gains or losses are recognised in profit or loss when the asset is derecognised.

1 Summary of accounting policies (continued)

1.1 Material accounting policies information (continued)

(l) Financial assets (continued)

(iv) Expected credit losses ("ECL")

An allowance for either 12-month or life-time ("ECL") is recognised for financial assets at amortised cost depending on whether there has been a significant increase in credit risk since initial recognition. An option pricing probability model is used as the basis for assessing the ECL. The measurement of ECL reflects a probability-weighted outcome, the time value of money and the best available forward-looking information. Information considered includes:

- evidence of significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

As the Company's financial assets measured at amortised cost have low credit risk at the reporting date (e.g. they are investment grade or short term), the 12-month ECL is applied.

1.2 Other accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold properties and improvements	The unexpired term of the lease
- Other property held for own use	50 years
- Office equipment, furniture and fixtures	3 to 5 years
- Computer equipment	3 to 7 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Summary of accounting policies (continued)

1.2 Other accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

(c) Other creditors and accruals

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

(d) Provision and contingent liabilities

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

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

(e) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income within finance costs.

(f) Related parties

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

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

1 Summary of accounting policies (continued)

1.2 Other accounting policies (continued)

(f) Related parties (continued)

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

(2) has significant influence over the Company; or

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

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

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

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

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

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

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

(g) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2 Accounting estimates and judgements

(a) Insurance and reinsurance contracts

The key areas of judgement are:

Application of the PAA model

- The application of the PAA to contracts with a contract boundary of greater than a year. For these contracts, testing will be performed to ensure there is no material difference in measurement between the PAA and what would be recognised under the GMM.

Onerous contracts

- The identification of onerous contracts and the calculation of any associated loss component. To identify potentially onerous contracts, information reviewed by senior management in monitoring financial performance will be considered. Any loss component is valued using the estimated fulfilment cashflows for the group of insurance contracts.

Liability for Incurred Claims

In order to determine gross outstanding claims liability at the end of reporting period, certain actuarial assumptions are required to be made. The assumptions are set on a best estimate basis such that the estimated ultimate claims are equally likely to be greater than or less than the actual claims experience.

The sources of data used as inputs for the assumptions are external (e.g. Department of Health) and internal, based on detailed studies that are carried out regularly. The assumptions are checked to ensure that they are consistent with other observable information. The basis for setting the risk adjustment is based on a 75% confidence level.

The nature of the business makes it very difficult to predict with certainty the outcome of any particular claim and the ultimate cost. Each notified claim is assessed on a case by case basis with due regard to the circumstances and information available from medical providers. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The Company generally applies the chain ladder, loss ratio and pure risk cost method to calculate the incurred but not reported ("IBNR") reserves which are estimated by business segment, where the chain ladder method is applied to the largest segments.

(1) Paid losses and incurred losses are divided by the completion factors to project the ultimate losses. The completion factors are the proportion of ultimate losses that have been reported or paid.

(2) The completion factors are selected based on historical claims development patterns and seasonal factors and recent claims events.

(3) The IBNR reserve is the difference between the projected ultimate losses and the reported claims.

To the extent that the method uses historical claims development information, it is assumed that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the method. Such reasons include:

2 Accounting estimates and judgements (continued)

(a) Insurance and reinsurance contracts (continued)

Liability for Incurred Claims (continued)

- changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different-than-expected levels of inflation); and
- changes in business mix (resulting in fluctuations, including the impact of large losses).

Assumptions
The assumptions that have the greatest effect on the measurement of insurance contract provisions are the completion factors selected. These are used for assessing the IBNR. Claims are not discounted.

Changes in assumptions and sensitivities to changes in key variables
The incurred completion factor is the key assumption in the Incurred Chain Ladder method. The table in Note 3(a)(iv) demonstrates the effects of changes in the assumption in the latest calendar month while other assumptions remain unchanged. The effect of incurred completion factor is non-linear.

(b) Intangible assets

Computer Software

Note 1.1(f) describes the Company's accounting policy in respect of customisation and configuration costs incurred in implementing Software as a Service ("SaaS") arrangements. In applying the entity's accounting policy, the directors made the following key judgements that may have the most significant effect on the amounts recognised in financial statements.

(1) Capitalisation of configuration and customisation costs in SaaS arrangements

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications (referred to as bridging modules or APIs). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in HKAS 38 *Intangible Assets*.

(2) Determination whether configuration and customisation services are distinct from the SaaS access.

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, judgement is applied to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

2 Accounting estimates and judgements (continued)

(b) Intangible assets (continued)

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant.

3 Insurance and financial risk management

<u>*Risk management policy*</u>

The Company's Risk Management Framework ("RMF") outlines the common risk management processes and practices which are applicable and are implemented to identify, assess, manage, monitor and report its risks. The RMF represents how the Company implements its enterprise risk management ("ERM") framework, which supports the company by ensuring:

- current and emerging / strategic risks to the business are identified, and their potential consequences are understood;
- there are established risk appetites within the business;
- appropriate and effective steps are taken to mitigate and manage identified risks; and
- risk management information is used to make risk-based decisions.

The Company regularly reviews and develops its risk management practices to ensure continued compliance with regulatory requirements, the RMF and best practice. The RMF covers all areas in which the Company operates and includes not only financial risks and controls but environmental, regulatory and operational risks and controls. The Board is responsible for overseeing that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company and for ensuring the ERM is effective. The main responsibilities of the Board, and its Committees, include:

- approving business objectives, risk appetite and corporate strategies;
- ensuring appropriate and clear allocation of roles and responsibilities within a well-defined governance structure;
- ensuring a reliable and transparent financial reporting system and effective risk management system; and
- establishing adequate policies and procedures for the appointment of an external auditor.

(a) Insurance risk

The Company manages its insurance risk through underwriting and approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, adequate claims reserving, claims forecasting and monitoring of emerging issues.

3 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

The Company uses several methods to assess and monitor insurance risk. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

(i) Underwriting strategy

An underwriting manual is utilised, ensuring underwriting practices are consistent across the organisation while reflecting the Company's conditions. Underwriting policies and procedures include criteria for approval of risks and claims adjudication policies and procedures. Periodic audits of claims processed ensure compliance with internal standards. Fluctuations in claims experience may result in losses.

The Underwriting and Pricing Committee, Claims Settlement Committee and Product Committee, promote key stakeholders to discuss product, underwriting, pricing, claims inflation, reserving and forecasting, and to enable a consistent way of analysis and giving feedback for setting assumptions and making decisions.

(ii) Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

Nature of risks covered

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

Product features

The Company writes annually renewable health insurance. The Company accepts significant insurance risk from the policyholder by agreeing to compensate the medical cost incurred by the policyholder or other beneficiary if a specified uncertain future insured event adversely affects the policyholder or other beneficiary.

The event giving rise to a claim for medical cost usually occurs within a short period of time and the cause/diagnosis can be determined promptly. The claim will thus be notified promptly and can be settled without long delay. Medical insurance business is therefore classified as "short-tailed".

Management of risks

The key risks associated with this product are underwriting risk and claims risk (including the risk of frequency and severity of claims being greater than expected). The Company is also exposed to the risk of dishonest actions by policyholders and providers. Medical insurers are exposed to the risk that the insured will make false or invalid claims. The claims fraud team monitors the error rate and fraud cases which may have potential financial impacts on the business.

3 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Terms and conditions of insurance contracts (continued)

Management of risks (continued)

The underwriting risk is managed primarily through adherence to the pricing framework, product design, risk selection and rating. The Company also monitors and reacts to changes in the general economic and commercial environment in which it operates.

Concentration of insurance risks

Insurance risk concentration may arise from a single insurance contract or through a small number of related contracts. Insurance risk concentration could lead to losses due to overexposure to a counterparty, sector or geographical region. Due to the geographical concentration in Hong Kong, the spreading of a virus is an example of concentration risk to our business. This risk is taken into account when setting annual premiums and considered further as part of scenario testing. Otherwise, concentration risk is negligible as the insurance portfolio is well-diversified across counterparties and sectors.

(iii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to diversify its exposures to losses and to manage its net retention exposure. This approach helps to avoid any significant adverse impact to its financial performance which may be caused by single or multiple catastrophic losses.

The quality of the Company's exposure to reinsurance counterparties is actively monitored with reference to detailed counterparty analysis prepared using age of balance and rating agency analyses. The table in Note 3(b)(i) details the Company's credit risk exposure relating to reinsurance recoveries and other recoveries on paid claims at the end of reporting period.

Related party reinsurance arrangement

The Company entered into a 90% quota share reinsurance agreement with a fellow subsidiary, BILUK, to cover the risk exposure on some of the Company's medical insurance contracts with effect from 1 March 2009. The portfolio remains effective in the current year.

Reinsurance outward arrangement

The Company entered into a 75% quota share reinsurance agreement with General Reinsurance AG to cover the risk exposure on the Bupa Critical Essential Care plan with effect from 1 July 2009 and also entered into a 30% quota share reinsurance agreement to cover the risk exposure on Bupa Safe plan with effect from 1 May 2021.

The Company entered into a 50% quota share reinsurance agreement with The Tokio Marine and Fire Insurance Co. (Hong Kong) Ltd. to cover the risk exposure on some of the Company's corporate portfolio with effect from 1 January 2019.

3 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Reinsurance strategy (continued)

Reinsurance outward arrangement (continued)

The Company entered into a 80% quota share reinsurance agreement with Allianz SE to cover the risk exposure on two of the Company's corporate contracts in 2019.

The Company entered into a reinsurance agreement with Zurich Insurance Company Ltd to cover the risk exposure (100% or 15% quote share) on some of the Company's corporate portfolio with effect from 1 January 2021.

The Company entered into a quota reinsurance agreement, of which the percentage of share ranges from 50% to 100%, with Assicurazioni Generali S.p.A - Luxembourg Branch to cover the risk exposure on some of the Company's corporate contracts with effect from 15 March 2022.

(iv) Sensitivities

Insurance contract liabilities are sensitive to assumptions on claims completion and claims inflation. The following table shows the impact on profit before tax and equity of reasonably possible variations in the key assumptions with all else held constant.

		2024	
		Effect on profit before tax	Effect on equity
		$	$
Liability for incurred claims			
Latest month completion factor	+1%	7,213,044	6,022,892
Latest month completion factor	-1%	(7,591,398)	(6,338,817)
Liability for remaining coverage			
Claims inflation	+2%	(23,294,518)	(19,450,923)
Claims inflation	-2%	23,294,518	19,450,923

		2023	
		Effect on profit before tax	Effect on equity
		$	$
Liability for incurred claims			
Latest month completion factor	+1%	6,725,365	5,615,680
Latest month completion factor	-1%	(7,071,283)	(5,904,521)
Liability for remaining coverage			
Claims inflation	+2%	(25,220,090)	(21,058,775)
Claims inflation	-2%	25,220,090	21,058,775

3 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(v) Claims development

Attributed by the features of the medical insurance business the Company underwrites, the Company's claims payments is typically resolved within one year.

The development of claims settlement patterns is kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised insurance liabilities. Claims risk is managed and controlled through a combination of pre-authorisation of claims, plan benefit limits, the use of provider networks and agreed network fees of hospitals and clinics.

(b) Financial risk

Exposure to credit, interest rate, liquidity and exchange risks arises in the normal course of the Company's business. The Company has a risk management and investment strategy as well as Treasury strategy that endeavours to mitigate such risks surrounding the Company, which is approved by the Board and managed by the Asia-Pacific ("APAC") Investment Committee.

The APAC Investment Committee reviews and monitors the significant investment and financial risks.

(i) Credit risk

The Company's credit risk is primarily attributable to deposits with financial institutions, insurance contract assets, reinsurance contract assets and other assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Other than this, the Company has no significant credit risk concentration.

Deposits with financial institutions ("counterparties") are managed by ensuring that all counterparties must be rated at least A- by key rating agencies. Criteria are set to ensure that there is adequate spread of credit risk.

The credit ratings of cash and cash equivalents, fixed deposits with financial institutions and amounts due from group companies are assessed by qualified external rating agency Standard and Poor's, or equivalent. The credit risk exposure is listed below:

	2024	*2023*
	$	$
Credit rating - AA	1,542,902,648	1,668,375,333
Credit rating - A	887,720,263	789,368,278
Total	2,430,622,911	2,457,743,611

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

3 Insurance and financial risk management (continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

For the reinsurance contract assets, the credit ratings of financial assets are assessed by qualified external rating agency Standard and Poor's, or equivalent. The credit risk exposure is listed below:

Reinsurance contract assets (Note 14)	*2024*	*2023*
	$	$
Credit rating - AA	632,400	915,031
Credit rating - A	504,594,686	457,028,973
Total	505,227,086	457,944,004

The following table provides further information regarding the quality of reinsurance recoveries and other recoveries on paid claims at the balance sheet date.

	2024	*2023*
	$	$
Neither past due nor impaired	2,481,753	2,381,820

Expected credit loss
The Company has performed expected credit loss assessment for its financial assets based on probability of default and credit rating of the counterparties and considers no expected credit loss allowance is needed. The movement in the loss allowance for financial assets at amortised cost during the year is as follows:

	Fixed deposits with financial institutions		Cash and cash equivalents		Amounts due from group companies	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	$	$	$	$	$	$
Balance as at 1 January 2024	1,714,220,647	—	497,056,456	—	246,466,508	—
Recognition and settlement	341,612,319	—	(275,498,738)	—	(93,234,281)	—
Balance as at 31 December 2024	2,055,832,966	—	221,557,718	—	153,232,227	—
Balance as at 1 January 2023	1,679,543,691	—	256,496,536	—	295,889,561	—
Recognition and settlement	34,676,956	—	240,559,920	—	(49,423,053)	—
Balance as at 31 December 2023	1,714,220,647	—	497,056,456	—	246,466,508	—

3 Insurance and financial risk management (continued)

(b) Financial risk (continued)

(ii) Interest rate risk

The Company's only direct exposure to interest rate risk is via its cash and deposits with financial institutions and a loan to an immediate holding company, as shown in the table below:

	2024			*2023*		
	Effective interest rate	Total	Within 1 year/On demand	Effective interest rate	Total	Within 1 year/On demand
	%	$	$	%	$	$
Loan and interest receivable from an immediate holding company	3.89	153,232,227	153,232,227	4.20	147,021,704	147,021,704
Deposits with financial institutions with original maturity more than three months	4.17	2,055,832,966	2,055,832,966	4.20	1,714,220,647	1,714,220,647
Cash and cash equivalents	0.32	221,557,718	221,557,718	0.11	497,056,456	497,056,456
		2,430,622,911	**2,430,622,911**		**2,358,298,807**	**2,358,298,807**

Sensitivity analysis

At 31 December 2024, it is estimated that a general decrease/increase of 50 (2023: 50) basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit before taxation and retained profits by approximately $12,153,115 (2023: $11,791,434). Other components of equity would not be affected (2023: $Nil) by the changes in interest rates since the Company does not apply discounting on LFIC and LFRC.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 (2023: 50) basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period.

(iii) Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its medical insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due.

The following table details the remaining contractual maturities at the end of reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Company can be required to pay:

3 Insurance and financial risk management (continued)

(b) Financial risk (continued)

(iii) Liquidity risk (continued)

	2024				
	Carrying amount	*Total contractual undiscounted cash flows*	*Within 1 year or on demand*	*After 1 year but within 2 years*	*After 2 years but within 5 years*
	$	$	$	$	$
Insurance contract liabilities (Note 14(a))	1,994,513,670	1,994,513,670	1,994,513,670	–	–
Amounts due to fellow subsidiaries (Note 17)	2,481,653	2,481,653	2,481,653	–	–
Amount due to the immediate holding company (Note 17)	31,581,035	31,581,035	31,581,035	–	–
Other payables (Note 17)	112,945,457	112,945,457	112,945,457	–	–
	2,141,521,815	2,141,521,815	2,141,521,815	–	–

	2023				
	Carrying amount	*Total contractual undiscounted cash flows*	*Within 1 year or on demand*	*After 1 year but within 2 years*	*After 2 years but within 5 years*
	$	$	$	$	$
Insurance contract liabilities (Note 14(a))	1,995,106,053	1,995,106,053	1,995,106,053	–	–
Amounts due to fellow subsidiaries (Note 17)	2,381,820	2,381,820	2,381,820	–	–
Other payables (Note 17)	96,542,735	96,542,735	96,542,735	–	–
	2,094,030,608	2,094,030,608	2,094,030,608	–	–

(iv) Currency risk

The Company's functional currency is Hong Kong dollars ("HKD"). The Company is exposed to currency risk primarily arising from cash and cash equivalents that are denominated in United States dollars ("USD"), Singapore dollars ("SGD") and Macau patacas ("MOP"). As the HKD is pegged to the USD, the Company considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. In respect of cash and cash equivalents denominated in SGD and MOP, the Company ensures that the net exposure is kept to an acceptable level to minimise exposure to currency risk.

Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Company's functional currency.

3 Insurance and financial risk management (continued)

(b) Financial risk (continued)

(iv) Currency risk (continued)

	2024			*2023*		
	United States Dollars	*Singapore Dollars*	*Macau Patacas*	*United States Dollars*	*Singapore Dollars*	*Macau Patacas*
Cash and cash equivalents	83,197	25,477	32,260	83,843	26,274	143,271
Fixed deposits with financial institutions	250,120,165	—	—	—	—	—
Net exposure to currency risk	250,203,362	25,477	32,260	83,843	26,274	143,271

Currency sensitivity

The Company is primarily exposed to changes in HK$/US$ exchange rates. The sensitivity of profit before tax and equity to changes in the exchange rates arises mainly from US$ denominated financial instruments, as shown in the table below:

		2024		*2023*	
	Change in exchange rate	*Effect on profit before tax*	*Effect on equity*	*Effect on profit before tax*	*Effect on equity*
Insurance and reinsurance contracts	+10%	—	—	—	—
Financial assets	+10%	25,026,110	20,896,802	11,012	9,195
Insurance and reinsurance contracts	(10)%	—	—	—	—
Financial assets	(10)%	(25,026,110)	(20,896,802)	(11,012)	(9,195)

(v) Fair value measurement

The carrying value of financial assets and other creditors and accruals is not materially different from their fair values as at 31 December 2024 and 2023.

(vi) Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Company is not exposed to any fluctuation of the market prices.

The Company has no significant concentration of price risk.

4 Insurance revenue

The following tables presents an analysis of the insurance revenue recognised in the period for insurance contracts issued:

	2024 $	*2023* $
Contracts measured under the PAA	4,067,678,521	4,096,861,369

5 Insurance service expenses

The table below shows an analysis of insurance service expenses arising from insurance contracts issued in the period:

	2024 $	*2023* $
Incurred claims	3,128,718,771	3,411,755,213
Changes that relate to past service - adjustment to the liability for incurred claims	(53,899,544)	4,027,715
Changes that relate to future service - losses on onerous groups of contracts and reversal of such losses	(51,371,590)	(465,092)
Other directly attributable insurance service expenses	815,391,912	807,557,736
Total Insurance service expenses	3,838,839,549	4,222,875,572

Included in other directly attributable insurance service expenses is $294,319,811 (2023: $280,994,186) related to insurance acquisition expenses and $24,103,496 (2023: $14,573,728) related to depreciation and amortisation.

6 Other income

	2024 $	*2023* $
Interest income	85,545,109	77,472,756
Service fee income	598,526	1,299,040
Others	14,563,815	24,063,371
	100,707,450	102,835,167

Interest income is calculated using the effective interest method.

7 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

	2024	*2023*
	$	$
Depreciation of owned property, plant and equipment (Note 13)	111,006	2,325,065
Amortisation of intangible assets (Note 12)	53,433,158	52,231,171
Depreciation and amortisation	53,544,164	54,556,236
Auditors' remuneration	3,481,133	3,162,422
Provision for/(reversal of provision for) bad debts	1,173,236	(357,575)
Loss on disposal of intangible assets	2,447,425	—

Depreciation and amortisation directly attributable to insurance service of $24,103,496 (2023: $14,573,728) is included in insurance service expenses.

8 Taxation

(a) *Taxation in the statement of profit or loss and other comprehensive income represents:*

	2024	*2023*
	$	$
Current tax - Hong Kong Profits Tax		
Provision for the year	—	—
Over-provision in prior years	—	(28,327,242)
	—	(28,327,242)
Deferred tax		
Provision for the year	—	41,631,933
Under-provision in prior years	—	28,254,720
Decrease in deferred tax assets (Note 10)	—	69,886,653

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year.

OECD Pillar Two model rules
The Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 ("the Pillar Two legislation"), which seeks to establish a 15% global minimum tax rate for multinational enterprises, was gazetted on 27 December 2024.

8 Taxation (continued)

OECD Pillar Two model rules (continued)
As at the reporting date, the Pillar Two legislation has not been enacted or substantively enacted in Hong Kong. The Company is continuing to assess the impact of the application of the Pillar Two legislation.

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

	2024 $	%	*2023* $	%
Profit/(loss) before taxation	70,615,532		(216,151,238)	
Notional tax on profit before tax, at 16.5% (2023: 16.5%)	11,651,563	16.50	(35,664,954)	16.50
Unused tax losses for which no deferred tax asset has been recognised	8,912,030	12.62	78,334,251	(36.24)
Derecognition of previously recognised deferred tax asset for unused tax losses	—	—	14,344,648	(6.64)
(Other deductible expenses)/tax effect of non-deductible expenses	38,161	0.05	(2,599,007)	1.20
Tax effect of non-taxable revenue	(14,249,119)	(20.17)	(12,783,005)	5.91
Other	(6,352,635)	(9.00)	—	—
Over-provision in prior years	—	—	(72,522)	0.03
Actual tax expense	—	—	41,559,411	(19.24)

At 31 December 2024, the Company had tax losses arising in Hong Kong of HK$634,185,952 (2023: HK$619,565,789), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets of $94,318,520 (2023: HK$92,678,899) have not been recognised in respect of these losses as it is currently not considered probable that future taxable profits will be available against which unused tax losses can be utilised.

9 Director's remuneration

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

	2024 $	*2023* $
Directors' fees	1,714,806	1,672,410
Salaries, allowances and benefits in kind	6,551,538	7,874,186
Retirement scheme contributions	655,132	569,080
Discretionary bonuses	1,298,007	3,973,200
	10,219,483	14,088,876

10 Deferred tax

Deferred tax (assets)/liabilities recognised

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

Deferred tax arising from:

	Depreciation allowance	Tax losses	Loss component and loss recovery component	Other assets	Total
	$	$	$	$	$
At 1 January 2023	21,902,408	(49,435,171)	(19,739,418)	(22,614,472)	(69,886,653)
Charged to profit or loss (note 8(a))	7,222,478	39,885,714	163,989	22,614,472	69,886,653
At 31 December 2023	29,124,886	(9,549,457)	(19,575,429)	—	—
At 1 January 2024	29,124,886	(9,549,457)	(19,575,429)	—	—
Charged/(credited) to profit or loss (note 8(a))	15,054,542	(772,705)	8,395,734	(22,677,571)	—
At 31 December 2024	44,179,428	(10,322,162)	(11,179,695)	(22,677,571)	—

	2024	2023
	$	$
Net deferred tax assets recognised on the statement of financial position	—	—

11 Goodwill

	$
Cost:	
At 1 January 2023, 31 December 2023 and 31 December 2024	20,752,528
Accumulated impairment losses:	
At 1 January 2023, 31 December 2023 and 31 December 2024	—
Carrying amount:	
At 1 January 2023, 31 December 2023 and 31 December 2024	20,752,528

11 Goodwill (continued)

Impairment test for cash-generating units containing goodwill

Goodwill of the Company's CGU is identified as follows:

With effect from 1 November 2008, the Hong Kong Branch of IHI and BILUK, the Company's fellow subsidiaries, transferred their entire medical insurance businesses to the Company, for a consideration of $20,752,528.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period extrapolated to perpetuity. Cash flows beyond the three-year period are extrapolated using a terminal growth rate of 3.5% which is consistent with industry forecasts. The discount rate applied to the cash flow projection is 10.5% (2023: 10.6%), which is post-tax and reflects specific risks relating to the relevant segment.

12 Intangible assets

(a) *Intangible assets in the statement of financial position represents:*

	2024	*2023*
	$	$
Computer software and system implementation	266,540,647	176,665,948
Distribution rights	—	3,604,529
	266,540,647	180,270,477

12 Intangible assets (continued)

(b) Computer system implementation

	$
Cost:	
At 1 January 2024	443,297,856
Additions	142,150,753
Disposals	(8,102,059)
At 31 December 2024	577,346,550
Accumulated amortisation:	
At 1 January 2024	(266,631,908)
Charge for the year	(49,828,629)
Written back on disposals	5,654,634
At 31 December 2024	(310,805,903)
Net book value:	
At 1 January 2024	176,665,948
At 31 December 2024	266,540,647
Cost:	
At 1 January 2023	365,900,734
Additions	77,397,122
At 31 December 2023	443,297,856
Accumulated amortisation:	
At 1 January 2023	(218,726,171)
Charge for the year	(47,905,737)
At 31 December 2023	(266,631,908)
Net book value:	
At 1 January 2023	147,174,563
At 31 December 2023	176,665,948

12 Intangible assets (continued)

(c) Distribution rights

The distribution rights of the Company were acquired through signing an Exclusive Distribution Agreement ("the Agreement") with Hang Seng Bank Limited. Under the Agreement, the bank distributes medical insurance products of the Company on an exclusive basis on the terms set out in the Agreement for 10 years starting from the commencement day of 1 October 2014. Details of movement of the distribution rights are set out as follows:

	$
Cost:	
At 1 January 2024	185,134,330
Additions	—
At 31 December 2024	185,134,330
Accumulated amortisation:	
At 1 January 2024	(84,129,801)
Charge for the year	(3,604,529)
At 31 December 2024	(87,734,330)
Impairment of distribution right:	(97,400,000)
Net book value:	
At 1 January 2024	3,604,529
At 31 December 2024	—
Cost:	
At 1 January 2023	185,134,330
Additions	—
At 31 December 2023	185,134,330
Accumulated amortisation:	
At 1 January 2023	(79,804,367)
Charge for the year	(4,325,434)
At 31 December 2023	(84,129,801)
Impairment of distribution right:	(97,400,000)
Net book value:	
At 1 January 2023	7,929,963
At 31 December 2023	3,604,529

Under the Agreement, the Company is obliged to pay ongoing partnership fees when certain performance targets are met. No ongoing partnership fees have been paid for the year ended 31 December 2024 (2023: $Nil).

13 Property, plant and equipment

2024

	Office equipment, furniture, and fixtures $	*Computer equipment and software* $	*Other property held for own use* $	*Total* $
Cost:				
At 1 January 2024	12,359,099	55,110,045	630,916	68,100,060
Additions	109,540	1,925,712	—	2,035,252
At 31 December 2024	12,468,639	57,035,757	630,916	70,135,312
Aggregate depreciation and impairment losses:				
At 1 January 2024	12,296,341	55,088,144	418,507	67,802,992
Charge for the year	22,995	75,392	12,619	111,006
At 31 December 2024	12,319,336	55,163,536	431,126	67,913,998
Net book value:				
At 31 December 2024	149,303	1,872,221	199,790	2,221,314

2023

	Office equipment, furniture, and fixtures $	*Computer equipment and software* $	*Other property held for own use* $	*Total* $
Cost:				
At 1 January 2023	12,282,199	55,110,045	630,916	68,023,160
Additions	76,900	—	—	76,900
At 31 December 2023	12,359,099	55,110,045	630,916	68,100,060
Aggregate depreciation and impairment losses:				
At 1 January 2023	12,280,623	52,791,415	405,889	65,477,927
Charge for the year	15,718	2,296,729	12,618	2,325,065
At 31 December 2023	12,296,341	55,088,144	418,507	67,802,992
Net book value:				
At 31 December 2023	62,758	21,901	212,409	297,068

14 Insurance and reinsurance contracts

(a) Reconciliation of changes in insurance contracts by remaining coverage and incurred claims

	2024				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	$	$	$	$	
Insurance contract liabilities as at 1 January	1,353,606,591	120,567,841	493,075,404	27,856,217	1,995,106,053
Insurance revenue	(4,067,678,521)	—	—	—	(4,067,678,521)
Insurance service expenses	—	(51,371,590)	3,884,347,338	5,863,801	3,838,839,549
- Incurred claims and other directly attributable insurance service expenses	—	—	3,944,110,683	—	3,944,110,683
- Changes that relate to past service	—	—	(59,763,345)	5,863,801	(53,899,544)
- Losses and reversals of losses on onerous contracts	—	(51,371,590)	—	—	(51,371,590)
Insurance service result before reinsurance contracts held	(4,067,678,521)	(51,371,590)	3,884,347,338	5,863,801	(228,838,972)
Total changes in the statement of profit or loss and OCI	(4,067,678,521)	(51,371,590)	3,884,347,338	5,863,801	(228,838,972)
Other movements[1]	(3,028,579)	—	(24,103,496)	—	(27,132,075)
Cash flows					
Premiums received[2]	4,146,855,888	—	—	—	4,146,855,888
Claims and other insurance service expenses paid	—	—	(3,891,477,224)	—	(3,891,477,224)
Total cash flows	4,146,855,888	—	(3,891,477,224)	—	255,378,664
Insurance contract liabilities as at 31 December	1,429,755,379	69,196,251	461,842,022	33,720,018	1,994,513,670

[1]Other movements comprises movements in assets and liabilities which are recognised in insurance service expenses in the income statement but do not form part of the liability for incurred claims in the balance sheet.

[2]Any premium experience refunds paid are included within this line. Experience refunds represent the part of subscriptions received from policyholders but refundable upon satisfaction of certain policy conditions.

14 Insurance and reinsurance contracts (continued)

(a) Reconciliation of changes in insurance contracts by remaining coverage and incurred claims (continued)

	2023				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	$	$	$	$	
Insurance contract liabilities as at 1 January	1,235,922,406	121,032,933	404,741,748	23,828,502	1,785,525,589
Insurance revenue	(4,096,861,369)	—	—	—	(4,096,861,369)
Insurance service expenses	—	(465,092)	4,219,312,949	4,027,715	4,222,875,572
- Incurred claims and other directly attributable insurance service expenses	—	—	4,219,312,949	—	4,219,312,949
- Changes that relate to past service	—	—	—	4,027,715	4,027,715
- Losses and reversals of losses on onerous contracts	—	(465,092)	—	—	(465,092)
Insurance service result before reinsurance contracts held	(4,096,861,369)	(465,092)	4,219,312,949	4,027,715	126,014,203
Total changes in the statement of profit or loss and OCI	(4,096,861,369)	(465,092)	4,219,312,949	4,027,715	126,014,203
Other movements[1]	(1,158,257)	—	(14,573,729)	—	(15,731,986)
Cash flows					
Premiums received[2]	4,215,703,811	—	—	—	4,215,703,811
Claims and other insurance service expenses paid	—	—	(4,116,405,564)	—	(4,116,405,564)
Total cash flows	4,215,703,811	—	(4,116,405,564)	—	99,298,247
Insurance contract liabilities as at 31 December	1,353,606,591	120,567,841	493,075,404	27,856,217	1,995,106,053

[1]Other movements comprises movements in assets and liabilities which are recognised in insurance service expenses in the income statement but do not form part of the liability for incurred claims in the balance sheet.

[2]Any premium experience refunds paid are included within this line. Experience refunds represent the part of subscriptions received from policyholders but refundable upon satisfaction of certain policy conditions.

14 Insurance and reinsurance contracts (continued)

(b) Reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims

	2024				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	336,861,009	1,928,876	112,992,264	6,161,855	457,944,004
Allocation of reinsurance premiums	(722,259,353)	—	—	—	(722,259,353)
Amounts recoverable for incurred claims and other expenses	—	—	519,607,397	1,028,062	520,635,459
Recoveries expected on underlying onerous contracts and reversals of those recoveries	—	(488,349)	—	—	(488,349)
Net expenses from reinsurance contracts held	(722,259,353)	(488,349)	519,607,397	1,028,062	(202,112,243)
Premiums paid	788,967,253	—	—	—	788,967,253
Amounts received	—	—	(539,571,928)	—	(539,571,928)
Total cash flows	788,967,253	—	(539,571,928)	—	249,395,325
Reinsurance contract assets as at 31 December	403,568,909	1,440,527	93,027,733	7,189,917	505,227,086

14 Insurance and reinsurance contracts (continued)

(b) Reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims (continued)

	2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	313,211,455	1,400,097	77,917,957	5,160,622	397,690,131
Allocation of reinsurance premiums	(650,251,425)	—	—	—	(650,251,425)
Amounts recoverable for incurred claims and other expenses	—	—	511,577,504	1,001,233	512,578,737
Recoveries expected on underlying onerous contracts and reversals of those recoveries	—	528,779	—	—	528,779
Net expenses from reinsurance contracts held	(650,251,425)	528,779	511,577,504	1,001,233	(137,143,909)
Premiums paid	673,900,979	—	—	—	673,900,979
Amounts received	—	—	(476,503,197)	—	(476,503,197)
Total cash flows	673,900,979	—	(476,503,197)	—	197,397,782
Reinsurance contract assets as at 31 December	336,861,009	1,928,876	112,992,264	6,161,855	457,944,004

15 Other assets

	2024 $	*2023* $
Amounts due from immediate holding companies	153,232,227	246,466,508
Other debtors and prepayments	32,863,550	28,220,408
	186,095,777	274,686,916

As at 31 December 2024, included in amounts due from immediate holding companies is a loan and interest accumulated amounting to $153,232,227 (2023: $147,511,811). The loan is unsecured, interest-bearing at 12 month HIBOR minus 78 basis points (2023: 12 month HIBOR minus 78 basis points) and repayable upon demand. No director or controller of the Company had any financial interest in the loan agreement. The loan will mature on 6 March 2026 (Note 19(b)).

All other balances with group companies are non-interest bearing, unsecured and repayable upon demand.

Other debtors and prepayments are expected to be recovered within one year. The carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2024 and 2023.

16 Cash and cash equivalents

	2024 $	*2023* $
Fixed deposits with financial institutions with original maturity less than three months	—	140,000,228
Cash at bank and on hand	221,557,718	357,056,228
	221,557,718	497,056,456

17 Other creditors and accruals

	2024 $	*2023* $
Amounts due to fellow subsidiaries	2,481,653	2,381,820
Amount due to the immediate holding company	31,581,035	—
Subscriptions received in advance	11,752,458	16,859,257
Other payables	112,945,457	96,542,735
	158,760,603	115,783,812

18 Share capital

	2024		2023	
	No. of shares	*Amount* $	*No. of shares*	*Amount* $
Ordinary shares, issued and fully paid:				
At 1 January	60,200,000	602,000,000	30,200,000	302,000,000
Issue of shares	—	—	30,000,000	300,000,000
At 31 December	60,200,000	602,000,000	60,200,000	602,000,000

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

On 14 December 2023, the board approved to issue 30,000,000 shares to the two shareholders in proportion to their existing shareholding at HK$10 per share.

Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to comply with the regulatory requirements stipulated under the Hong Kong Risk-based Capital Regime ("HKRBC"), which was effective on 1 July 2024, as an authorised insurer to carry on insurance business in or from Hong Kong, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

Apart from the capital injection as set out above, there have been no material changes in the Company's management of capital during 2023 and 2024.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

Regulatory capital requirements arise from the Company's operations in Hong Kong and require the Company to hold assets sufficient to cover liabilities and satisfy solvency capital rules set out in the HKRBC. The Company has established an internal solvency ratio (Capital Base as a proportion of Prescribed Capital Amount) benchmark of 200% that exceeds the minimum requirements under the HKRBC of 100% and it aims to maintain this level of solvency ratio at all times.

During the year ended 31 December 2024, the Company maintains its prescribed capital amount and minimum capital amount above the regulatory requirements and maintains its solvency ratio above the internal solvency ratio benchmark of 200%.

19 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions.

(a) During the year, there existed an arrangement for an indefinite period whereby an immediate holding company, BIL, provided services as a managing agent to the Company, in return for a service fee of $519,934,501 (2023: $524,497,255), which represents the cost incurred by BIL for the provision of services, including staff costs, marketing expenses and other operating expenses.

(b) At 31 December 2024, the Company has a loan and interest to an immediate holding company, Bupa Investments Limited, amounting to $153,232,227 (2023: $147,511,811). The loan is unsecured, interest-bearing at 12 month HIBOR minus 78 basis points (2023: 12 month HIBOR minus 78 basis points) and repayable upon demand. The loan will matures on 6 March 2026.

(c) During the year, the Company paid management fee expense to certain fellow subsidiaries for the receipt of services of general scheme administration services amounting to $2,084,109 (2023: $215,392).

(d) During the year, the Company paid benefits fee to a fellow subsidiary, Quality Healthcare Medical Services Limited, amounting to $146,934,004 (2023: $150,675,581) for the claims incurred by the policyholders of the Company.

(e) During the year, a 90% quota share reinsurance arrangements existed between the Company and its fellow subsidiary, BILUK to cover the risk exposure on some of the Company's medical insurance contracts. The Company ceded subscriptions amounting to $785,125,596 (2023: $669,745,184), claims amounting to $474,251,347 (2023: $444,615,907) and commissions amounting to $88,827,472 (2023: $73,898,321) to BILUK.

(f) Key management personnel remuneration

	2024	*2023*
	$	$
Short-term employee benefits	7,849,545	11,847,386
Post-employment benefits	655,132	569,080
	8,504,677	12,416,466

Detailed remuneration disclosure is provided in the Note 9. Key management personnel have been identified as the Company's directors.

20 Immediate parent and ultimate holding company

At 31 December 2024, the directors consider the immediate parents of the Company to be BIL and Bupa Investments Limited, which is incorporated in Hong Kong and incorporated in England and Wales, respectively. The directors consider the ultimate controlling party of the Company to be The British United Provident Association Limited ("BUPAL"), which is incorporated in England and Wales. BUPAL produces financial statements available for public use.

21 Event occurring after the reporting period

A final dividend of HK$80,000,000 ($1.33 per ordinary share) is recommended by the directors on 1 April 2025, subject to relevant approvals (including the approval from the Hong Kong Insurance Authority). The aggregate amount of the proposed final dividend expected to be paid in 2025 but not recognised as a liability at 31 December 2024.

22 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 1 April 2025.