

Report of the Directors and Audited Financial Statements

LIBERTY INTERNATIONAL INSURANCE LIMITED

31 December 2025

LIBERTY INTERNATIONAL INSURANCE LIMITED

CONTENTS

Pages

REPORT OF THE DIRECTORS

1 - 2

INDEPENDENT AUDITOR'S REPORTS

3 - 5

AUDITED FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

6

Statement of Financial Position

7

Statement of Changes in Equity

8

Statement of Cash Flows

9

Notes to Financial Statements

10 – 74

LIBERTY INTERNATIONAL INSURANCE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Liberty International Insurance Limited (the "Company") for the year ended 31 December 2025.

Principal activity

The principal activity of the Company has not changed during the year and consists of the transaction of general and life insurance business, including statutory insurance and the acceptance of reinsurance.

Results and dividends

The Company's profit for the year ended 31 December 2025 and the Company's financial position at that date are set out in the financial statements on pages 6 to 74.

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

Plant and equipment

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

Directors and controllers

The directors of the Company during the year were:

LEE Kar Lun Karen (resigned on 1 September 2025)
LEUNG Yuen Sham Cynthia
MACKENZIE Helen Louisa
SMYTH David Gordon
YOUNG Eddie (appointed on 1 September 2025 and resigned on 2 April 2026)
XU Dehong

The controllers of the Company during the year were:

LEE Kar Lun Karen (ceased on 1 September 2025)
FISTIKCI Yasar
LIM Mei Jiao Nicole (effective from 1 January 2026)
Liberty Insurance Pte. Ltd.
Liberty Specialty Markets Singapore Pte. Limited (effective from 1 January 2026)
Summit Asia Investments Holdings Pte Limited
Liberty International Asia Pacific Holdings LLC
Liberty UK and Europe Holdings Limited
LUEH Holdings Limited (effective from 26 Sep 2025)
Liberty International US European Holdings LLC (ceased on 24 October 2025)
Liberty International Netherlands V.O.F (ceased on 25 September 2025)
Liberty International Holdings Inc.
LIHI Holdings LLC
Liberty Mutual Insurance Company
Liberty Mutual Group Inc.
LMHC Massachusetts Holdings Inc.
Liberty Mutual Holding Company Inc.

LIBERTY INTERNATIONAL INSURANCE LIMITED

REPORT OF THE DIRECTORS (continued)

Directors' and controllers' interests in shares

At no time during the year was the Company, or any of its holding companies or fellow subsidiaries a party to any arrangement 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, nor were any such rights exercised by them.

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

No director nor controller nor a connected entity of a director or controller had a material interest, either directly or indirectly, in any transactions, arrangement or contracts of significance to the business of the Company to which holding companies of the Company or fellow subsidiaries was a party during the year other than interests of companies of which the Company is a subsidiary in the related party transactions disclosed in note 19.

Material reinsurance agreements

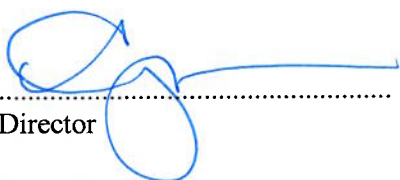
Details of the major outward reinsurance arrangements are as follows:

Group life	-	Quota share and surplus treaties. The Company's maximum retention in respect of any one life is HK\$1,200,000
Individual life	-	Quota share treaty. The Company's maximum retention in respect of any one life is HK\$2,500,000
Medical	-	Excess of loss treaty
Marine	-	Excess of loss treaty
Other non-marine	-	Excess of loss and surplus treaties
Individual life endowment	-	Quota share facultative. The Company's maximum retention in respect of death benefit is HK\$1,000. Surrender benefit is HK\$20,000 and maturity benefit is HK\$20,000

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



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Director

Hong Kong
28 April 2026

Independent auditor's report**To the members of Liberty International Insurance Limited**

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Liberty International Insurance Limited ("the Company") set out on pages 6 to 74, which comprises the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of the directors for the financial statements

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

Independent auditor's report (continued)
To the members of Liberty International Insurance Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements (continued)

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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report (continued)
To the members of Liberty International Insurance Limited
(Incorporated in Hong Kong with limited liability)

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

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

The engagement partner of the audit resulting in this independent auditor's report is Lee Lit Kei (practising certificate number: P08008).



Certified Public Accountants
Hong Kong
28 April 2026

LIBERTY INTERNATIONAL INSURANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Insurance service revenue	4	1,695,762,352	1,587,963,930
Insurance service expense		<u>(1,416,989,908)</u>	<u>(1,459,832,363)</u>
Insurance service result before reinsurance contracts held		<u>278,772,444</u>	<u>128,131,567</u>
Net expenses from reinsurance contracts held		<u>(86,363,136)</u>	<u>(48,737,039)</u>
Insurance service result, net of reinsurance contracts held		<u>192,409,308</u>	<u>79,394,528</u>
Investment income and expense	5	99,523,415	51,383,749
Foreign exchange gains/(losses), net		<u>216,199</u>	<u>(517,131)</u>
Net investment result		<u>99,739,614</u>	<u>50,866,618</u>
Insurance finance expense for insurance and reinsurance contracts issued		(41,198,573)	(26,180,466)
Reinsurance finance income for reinsurance contracts held		<u>5,145,180</u>	<u>4,094,421</u>
Net insurance finance result		<u>(36,053,393)</u>	<u>(22,086,045)</u>
Other operating expenses		(74,936,383)	(64,158,348)
Finance costs – Interest expenses on lease liabilities		<u>(808,115)</u>	<u>(534,791)</u>
Other expenses		<u>(75,744,498)</u>	<u>(64,693,139)</u>
Profit before income tax	6	180,351,031	43,481,962
Income tax (expense)/credit	7	<u>(35,092,948)</u>	<u>8,340,229</u>
Profit and total comprehensive income for the year		<u>145,258,083</u>	<u>51,822,191</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

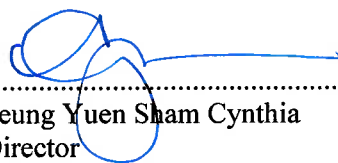
STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
ASSETS			
Plant and equipment	10	25,211,541	32,913,832
Right-of-use assets	11	31,559,019	33,100,076
Intangible assets	12	19,538,196	14,599,335
Deferred tax assets	16	23,062,508	21,982,742
Investments	13	2,068,747,338	1,879,634,138
Reinsurance contract assets	15	102,576,750	115,591,552
Due from fellow subsidiaries	19(b)	116,896	108,890
Due from the immediate holding company	19(c)	306,690	1,108,003
Prepayments, deposits and other receivables	14	69,399,948	54,904,531
Cash and cash equivalents	9	216,609,786	253,254,929
Total assets		<u>2,557,128,672</u>	<u>2,407,198,028</u>
LIABILITIES			
Reinsurance contract liabilities	15	168,167	-
Insurance contract liabilities	15	1,229,178,069	1,194,453,381
Other payables and accruals	17	116,434,076	100,820,775
Due to an intermediate holding company	19(d)	3,347,909	5,277,359
Due to fellow subsidiaries	19(e)	163,454	306,537
Tax payable		3,342,285	22,652,354
Lease liabilities	20	30,200,250	33,256,641
Total liabilities		<u>1,382,834,210</u>	<u>1,356,767,047</u>
Net assets		<u>1,174,294,462</u>	<u>1,050,430,981</u>
EQUITY			
Share capital	18	110,000,000	110,000,000
Retained earnings		1,064,294,462	940,430,981
Total equity		<u>1,174,294,462</u>	<u>1,050,430,981</u>



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Xu Dehong
Director



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Leung Yuen Sham Cynthia
Director

LIBERTY INTERNATIONAL INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Notes	Share capital HK\$	Retained earnings HK\$	Total HK\$
As at 1 January 2024		110,000,000	888,608,790	998,608,790
Profit and total comprehensive income for the year		<u>-</u>	<u>51,822,191</u>	<u>51,822,191</u>
As at 31 December 2024 and 1 January 2025		110,000,000	940,430,981	1,050,430,981
Profit and total comprehensive income for the year		-	145,258,083	145,258,083
Redemption of preference shares ¹	19(g)	<u>-</u>	<u>(21,394,602)</u>	<u>(21,394,602)</u>
As at 31 December 2025		<u>110,000,000</u>	<u>1,064,294,462</u>	<u>1,174,294,462</u>

¹ In 2025, the Company redeemed 10 million preference shares amounting to an aggregate redemption value of HK\$21,394,602. Upon redemption, the preference shares were cancelled and such credit arising from the capital reduction has been applied to the ordinary share capital of the Company. Further details are included in Note 18 to the financial statements.

LIBERTY INTERNATIONAL INSURANCE LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		180,351,031	43,481,962
Adjustment for:			
Interest income		(52,740,304)	(50,986,173)
Realised (gain)/loss on investments	5	(1,770,005)	1,345,668
Unrealised gain on investment	5	(47,855,213)	(4,392,858)
Unrealised foreign exchange losses/(gains) on investments		136,815	(563,966)
Loss on disposal of plant and equipment		-	71,328
Depreciation – plant and equipment	10	4,151,264	1,603,542
Depreciation – right of use asset	11	5,688,207	9,282,436
Amortisation - intangible assets	12	11,844,996	8,938,603
Interest expenses on reinstatement costs		131,670	51,857
Interest expenses on lease liability	20	808,115	534,791
		<u>100,746,576</u>	<u>9,367,190</u>
Decrease/(increase) in reinsurance contract assets		13,014,802	(11,846,709)
Increase in prepayments, deposits and other receivables		(14,495,417)	(12,536,272)
Increase in insurance contracts liabilities		34,724,688	134,214,800
Increase/(decrease) in reinsurance contracts liabilities		168,167	(51,567)
Increase in other payables and accruals		13,857,926	25,297,389
Decrease/(increase) in amounts due from related companies		793,307	(584,549)
(Decrease)/increase in amounts due to related companies		<u>(2,072,533)</u>	<u>4,470,621</u>
Cash generating from operations		<u>146,737,516</u>	<u>148,330,903</u>
Interest received		52,740,304	43,870,467
Hong Kong profits tax paid		<u>(55,482,783)</u>	<u>(27,811,539)</u>
Net cash flows from operating activities		<u>143,995,037</u>	<u>164,389,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchased		(473,133,978)	(516,478,321)
Investments redeemed		361,130,768	429,182,921
Increase in time deposits with original maturity over 3 months		(27,621,588)	(37,449,145)
Addition of intangible assets		(12,947,471)	(9,885,368)
Addition of items of furniture and equipment		<u>(285,359)</u>	<u>(18,284,311)</u>
Net cash flows used in investing activities		<u>(152,857,628)</u>	<u>(152,914,224)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liability	20	(6,387,951)	(6,134,150)
Redemption of preference shares	18	<u>(21,394,602)</u>	<u>-</u>
Net cash flows used in financing		<u>(27,782,553)</u>	<u>(6,134,150)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(36,645,143)	5,341,457
Cash and cash equivalents at the beginning of year		<u>253,254,929</u>	<u>247,913,472</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	<u>216,609,786</u>	<u>253,254,929</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE INFORMATION

The principal activity of Liberty International Insurance Limited (the “Company”) during the year consisted of the transaction of general and life insurance business, including statutory insurance and the acceptance of reinsurance.

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Suite 2601-04 & 2613-16, 26/F, 1111 King’s Road, Taikoo Shing, Hong Kong.

The Company was a subsidiary of Liberty Insurance Pte. Ltd before 1 January 2026, and the Company became a subsidiary of Liberty Specialty Markets Singapore Pte. Limited on 1 January 2026. In the opinion of the directors, the ultimate holding company of the Company is Liberty Mutual Holding Company Inc., a company incorporated under the laws of Massachusetts in the United States of America.

Pursuant to a Business Transfer Agreement dated 31 March 2026 between the Company and Liberty Specialty Markets Hong Kong Limited (“LSMHK”), a fellow subsidiary, the Company completed the integration with LSMHK where the general insurance business, including the assets and liabilities, carried on by LSMHK were transferred to the Company on 1 April 2026. The transfer was approved by the Insurance Authority (“IA”) on 30 March 2026 with reference to Section 25D of the Insurance Ordinance (Cap.41) (the “Ordinance”). Details of the transfer are disclosed in Note 24.

2. MATERIAL ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Hong Kong dollars, which is the Company’s functional currency, except when otherwise indicated.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expense are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Company has adopted the following revised HKFRS Accounting Standards, which are applicable to the Company, for the first time for the current year's financial statements.

Amendments to HKAS 21

Lack of Exchangeability

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

Amendments to HKAS 21 Lack of Exchangeability

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

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Company has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Company intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

	Effective for accounting periods beginning on or after
HKFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial and HKFRS 7 Instruments	1 January 2026
Amendments to HKAS 21, Translation to a Hyperinflationary Presentation currency	1 January 2027
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026

Except for the new HKFRS Accounting Standards as described below, the Company is in the process of assessing the potential impact of all other revised HKFRS Accounting Standards due to be effective for accounting periods beginning on or after 1 January 2026 in the period of initial application, and the Company does not expect these revised HKFRS Accounting Standards to have a material impact on the Company's financial statements.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

HKFRS 18, Presentation and Disclosure in Financial Statements

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

2.5 INSURANCE AND REINSURANCE CONTRACTS

The Company issues insurance and reinsurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. The major classes of general insurance written by the Company include health, motor, property damage and general liability insurance. The Company also issues life insurance contracts.

(a) Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance contracts issued and reinsurance contracts held to determine whether they contain distinct components which must be accounted for under another HKFRS Accounting Standards instead of under HKFRS 17. After separating any distinct components, the Company applies HKFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some reinsurance contracts held by the Company contain ceding commission arrangements. Under these arrangements, there is a guaranteed ceding commission. The settlement of this commission occurs at the same time the reinsurance premiums are paid to the reinsurers and therefore these ceding commissions are considered to be part of the reinsurance expense, as the amounts are not contingent on claims.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Level of aggregation

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The portfolios are further divided into groups of contracts, based on year of issue and profitability, for recognition and measurement purposes. HKFRS 17 requires that no group of insurance contracts, or group of reinsurance contracts held, may contain contracts issued more than one year apart. Within each year of issue, contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any);
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any); and
- A group of the remaining contracts in the portfolio.

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

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(c) Recognition

The Company recognises groups of insurance and reinsurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; and
- For a group of onerous contracts if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into either from the earlier of the beginning of the coverage period of the group of reinsurance contracts held or the date the Company recognises an onerous group of underlying insurance contracts if the Company entered into related reinsurance contracts held at or before that date. 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.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(c) Recognition (continued)

The Company adds new insurance and reinsurance contracts issued and reinsurance contracts held, issued not more than 12 months apart, to the relevant group in the reporting period in which that contract meets one of the criteria set out above.

(d) Contract boundary

The Company includes in the measurement of a group of insurance and reinsurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the 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 to provide insurance contract services ends when:

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

Both of the following criteria are satisfied:

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

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised.

(e) Insurance and reinsurance contracts issued – Initial measurement under PAA

The Company predominantly applies the PAA to most of the insurance and reinsurance contracts that it issues and reinsurance contracts that it holds where the coverage period of each insurance contract issued in the group is one year or less. For contract longer than one year, the Company has applied possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage and/or the asset for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(e) Insurance and reinsurance contracts issued – Initial measurement under PAA (continued)

Existing and new products are assessed for PAA eligibility on inception of the contract based on qualitative characteristics, including whether significant variability is expected in the contract cash flows. If they are not expected to be eligible to apply the PAA on that basis, further quantitative testing is performed in order to conclude whether the Company can reasonably expect that applying the PAA would produce a measurement of the liability for remaining coverage for the group of contracts that would not differ materially from one that would be produced applying the GMM.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which the Company chooses to expense insurance acquisition cash flows as they occur;
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and
- Plus or minus any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts may be onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contracts. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss for the net outflow, resulting in the carrying amount of the liability of remaining coverage for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. That loss component represents the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Thus, by the end of the coverage period of the group of contracts, the loss component will be reduced to zero.

(f) Reinsurance contracts held - Initial measurement under PAA

The Company measures a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, using the PAA. However, the measurement is adapted to reflect the features of reinsurance contracts held that differ from insurance and reinsurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the liability for remaining coverage of the underlying insurance contracts, with an adjustment for non-performance by the reinsurer.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(f) Reinsurance contracts held - Initial measurement under PAA(continued)

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 expected recovery of losses.

For groups of reinsurance contracts held covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, 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.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts. This ensures the loss-recovery component does not exceed the position 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.

(g) Insurance and reinsurance contracts issued – Subsequent measurement under PAA

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus insurance acquisition cash flows, with the exception of contracts which the Company chooses to expense insurance acquisition cash flows as they occur;
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the services provided in the period; and
- Minus any investment component paid or transferred to the liability for incurred claims, where applicable.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(g) Insurance and reinsurance contracts issued – Subsequent measurement under PAA (continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows include those in relation to claims incurred but not reported, claims reported but not yet paid, and anticipated claims handling costs. Claims handling costs include costs that can be directly associated with individual claims, such as legal and professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The risk adjustment reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of cash flows.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous or has become more or less onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for remaining coverage for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. Movements in the loss component are recognised in insurance service expense.

When measuring the liability for incurred claims, the Company adjusts the expected future cash flows for the time value of money and the effect of financial risk.

(h) Reinsurance contracts held – Subsequent measurement under PAA

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

The risk of non-performance by the issuer for non-financial risk of the reinsurance contract is assessed at each reporting date to ensure that the balances properly reflect the amounts ultimately expected to be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Reinsurance recoveries are discounted to present value using appropriate discount rates.

(i) Insurance contracts – Measurement under the GMM

At initial recognition, the Company measures a group of insurance contracts as the total of: fulfilment cash flows, and CSM. Fulfilment cash flows comprise estimates of future cash flows (“BEL”), adjusted to reflect the time value of money and financial risks, and a risk adjustment (“RA”) for non-financial risk. In determining the fulfilment cash flows, the Company uses estimates and assumptions considering a range of scenarios which have commercial substance and give a fair representation of possible outcomes. If fulfilment cash flows generate a total of net cash inflows at initial recognition, a CSM is set up to fully offset the fulfilment cash flows, and results in no impact on income at initial recognition. The CSM represents the unearned profit the Company will recognize as it provides services under the insurance contracts. However, if fulfilment cash flows generate a total of net cash outflows at initial recognition, a loss is recognized in profit or loss immediately and the group of contracts is considered to be onerous.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(j) Insurance contracts – Subsequent measurement under GMM

The fulfilment cash flows at each reporting date are measured using the current estimates of expected cash flows and current discount rates. In the subsequent periods, the carrying amount of a group of insurance contracts at each reporting date is the sum of:

- The liability for remaining coverage (“LRC”), which comprise the fulfilment cash flows that relate to services to be provided in the future and any remaining CSM at that date; and
- The liability for incurred claims (“LIC”), which comprise the fulfilment cash flows for incurred claims and expenses that have not yet been paid.

For onerous contracts, the LRC is further divided into a loss component, which represents the remaining net outflow for the group of insurance contracts; and the LRC excluding the loss component, which represents the amount of liability with offsetting inflows. Premiums received increases the LRC. Where a third-party administrator is involved in the collection and remittance of premiums, amounts receivable from the third-party are included in the measurement of insurance contract liabilities until actual cash is remitted to the Company.

Subsequent measurement of the CSM under GMM

The carrying amount of the CSM at end of the reporting period is adjusted to reflect the following changes:

- effect of new contracts added to the group;
- interest accreted on the carrying amount of CSM, measured at the locked-in discount rate. The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period, and is determined using the bottom-up approach;
- changes in fulfilment cash flows that relate to future services such as:
 - a) Experience differences between actual and expected premiums and related cash flows in the period that relate to future services measured at the locked-in rate.
 - b) Non-financial changes in estimates of the present value of future cash flows measured at the locked-in rate.
 - c) Changes in the risk adjustment for non-financial risk that relate to future service measured at the locked-in rate.
 - d) Differences between actual and expected investment component that becomes payable in the period;
- effect of any currency exchange differences on the CSM;
- CSM amortization, which is the recognition of unearned profit into insurance revenue for services provided in the period.

The CSM is recognized into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units as insurance services are provided. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. The Company allocates the CSM equally to each coverage unit and recognizes the amount allocated to coverage units provided and expected to be provided in each period.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(j) Insurance contracts – Subsequent measurement under GMM (continued)

Subsequent measurement of the CSM under GMM (continued)

When measuring the fulfilment cash flows, changes that relate to future services are measured using the current discount rate, however, the CSM is adjusted for these changes using the locked-in rate at initial recognition. The application of the two different discount rates gives rise to a gain or loss that is recognized as part of insurance finance income or expense.

(k) Reinsurance contracts held – under GMM

For reinsurance contracts held applying the GMM model, the Company measures them on the same basis as insurance contracts that it issues, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

If a loss-recovery is created for a group of reinsurance contracts measured under the GMM, the Company adjusts the carrying amount of the CSM to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued.

(l) Insurance acquisition cash flows

Acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance and reinsurance contracts (issued, expected to be issued or held) that are directly attributable to the portfolio of insurance and reinsurance contracts to which the group belongs.

The Company allocates the insurance acquisition cash flows to groups of insurance and reinsurance contracts issued or expected to be issued in accordance with the revenue earnings pattern.

(m) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when the rights and obligations relating to the insurance and reinsurance contracts issued are extinguished (i.e., discharged, cancelled or expired) or when the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(n) Presentation

The Company presents separately, in the Statement of Financial Position, the carrying amount of 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 and portfolios of reinsurance contracts held that are liabilities.

The Company presents reinsurance expense and the amounts expected to be recovered from reinsurers as a single amount on the face of the Statement of Profit or Loss and Other Comprehensive Income. 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.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

The loss component is included within the liability for remaining coverage on the Statement of Financial Position. The loss-recovery component is included within the asset for remaining coverage. Movements in the loss component are recognised within insurance service expense and movements in the loss-recovery component are included within net expenses from reinsurance contracts held on Statement of Profit or Loss and Other Comprehensive Income as detailed in Notes 15.

(o) Insurance revenue

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

The Company changes the basis of allocation between the patterns above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For all periods presented, revenue has been recognised based on the passage of time or on the basis of release of risk pattern, as may be applicable.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 INSURANCE AND REINSURANCE CONTRACTS (continued)

(p) Net income/expenses from reinsurance contracts held

Net income/expenses from reinsurance contracts held comprise allocation of reinsurance premiums paid and the amounts expected to be recovered from reinsurers. For reinsurance contracts measured under the GMM, the allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration. For reinsurance contracts measured under the PAA, the allocation of reinsurance premiums paid is the amount of expected premium payments for receiving services in the period.

(q) Insurance finance income/(expense) for insurance and reinsurance contracts issued

Insurance finance income/(expense) for insurance and reinsurance contracts issued comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company does not disaggregate insurance and reinsurance finance income and expense between profit or loss and other comprehensive income.

(r) Reinsurance finance income/(expense) for reinsurance contracts held

Reinsurance finance income/(expense) for reinsurance contracts held comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company does not disaggregate insurance and reinsurance finance income and expense between profit or loss and OCI.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 PLANT AND EQUIPMENT AND DEPRECIATION

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for furniture, fixtures and equipment is 20%.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.8 FINANCIAL ASSETS

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, on the basis on which they are subsequently measured at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI), and FVTPL. As at 31 December 2025, the Company has not classified any financial assets at FVOCI.

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

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.8 FINANCIAL ASSETS (continued)

(a) Initial recognition and measurement (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

A financial asset is classified at FVTPL where, at initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost.
- Financial assets at FVTPL.

The Company's financial assets at amortised cost includes cash and cash equivalents, time deposits with original maturities greater than three months, other receivables, and amounts due from immediate holding company and fellow subsidiaries. The Company's financial assets at FVTPL includes debt instruments comprising investments in listed government and corporate bonds.

Financial assets at amortised cost

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

The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.8 FINANCIAL ASSETS (continued)

(b) Subsequent measurement (continued)

Financial assets designated as at FVTPL

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets so designated are recognised initially at fair value, with transaction costs taken directly to profit or loss, and are subsequently remeasured at fair value. This designation, once made, is irrevocable in respect of the financial asset to which it is made. Gains and losses from changes in the fair value of such financial assets are recognised in profit or loss as they arise. Amounts relating to insurance finance income and expense and reinsurance finance income and expense are included in profit or loss, therefore the Company has made an irrevocable election to designate debt instruments (investments in listed government and corporate bonds) at FVTPL as doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(c) Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Company has performed an assessment of non-insurance related financial assets and determined that recognition of an allowance for ECLs is immaterial for the year ended 31 December 2025.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.9 FINANCIAL LIABILITIES

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as financial liabilities at amortised cost. As at 31 December 2025, the Company has not classified any financial liabilities at FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include amounts due to holding companies and fellow subsidiaries, and other creditors.

(b) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

2.10 FAIR VALUE MEASUREMENT

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.11 REVENUE RECOGNITION ON NON-INSURANCE CONTRACTS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Management fees are recognised over the scheduled period on a straight-line basis. The Company's performance obligations are generally satisfied over time because the counterparty simultaneously receives and consumes the benefits provided by the Company.

2.12 INVESTMENT INCOME

Interest income is recognised using the EIR method for financial assets measured subsequently at amortised cost.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment Income and Expense' line item.

2.13 LEASES

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

Company as a lessee

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

(a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Depreciation of right-of-use assets are included in "depreciation of right-of-use assets" in profit and loss. Right-of-use assets are subject to impairment.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.13 LEASES (continued)

Company as a lessee (continued)

(b) Lease liabilities

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

In calculating the present value of lease payments, the Company uses the US Treasury risk-free rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Interest expense is included in "finance costs – interest expenses on lease liabilities" in profit and loss. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets.

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below US\$5,000, approximately equivalent to HK\$38,900). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.14 INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Internally generated computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful lives of 3 years.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.14 INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new computer software is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.15 PROVISIONS

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

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

2.16 INCOME TAX

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

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

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

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

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

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.16 INCOME TAX (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.18 RELATED PARTIES

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

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

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

or

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

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

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. MATERIAL ACCOUNTING POLICIES (continued)

2.19 EMPLOYEE BENEFITS

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Company's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Company at the end of the reporting period.

Pension schemes

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

The Company also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. The MPF Scheme operates in a similar way to the ORSO Scheme, except that the Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.20 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and on hand and non-pledged time deposits with an original maturity less than three months when acquired, less any bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash and cash equivalents as defined above, which are not restricted as to use.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Liability for Remaining Coverage

The key areas of judgement when determining the liability for remaining coverage are as follows.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Other significant judgements that determine the fulfilment cash flows include the discount rate and risk adjustment which are discussed below.

(b) Liability for Incurred Claims

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims IBNR at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, the IBNR claims provision forms the majority of the liability recognised in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods.

For life insurance contracts, the liability is based on assumptions established at inception of the contract, reflecting the best estimate at the time increased by a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, expenses, lapse rates and discounts rates. The Company bases mortality and morbidity on analysis tables which reflect historical experiences, adjusted where appropriate to reflect the Company's risk exposure, product characteristics, target markets and claims experiences.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(c) Discount rates

The liability for incurred claims is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting future cash flows are listed below:

	1 year				3 years				10 years			
	2025	2024	2023	2022	2025	2024	2023	2022	2025	2024	2023	2022
Insurance Contract Liabilities	2.63%	3.88%	4.28%	4.88%	2.58%	3.67%	3.46%	4.20%	2.72%	3.65%	3.29%	3.78%
Reinsurance Contract Assets	2.63%	3.88%	4.28%	4.88%	2.58%	3.67%	3.46%	4.20%	2.72%	3.65%	3.29%	3.78%

To the extent there is a significant financing component or indications that contracts may be onerous, the Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk. A significant financing component can arise where the premium due date and the related period of services are more than 12 months apart. This is done using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

(d) 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 (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. 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.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(e) Determination of coverage units

The proportion of CSM recognised in profit or loss at the end of each period for a group of contracts is determined as the ratio of: (a) the coverage units in the period; divided by (b) the sum of the coverage units in the period and the expected coverage units in future periods. The total number of coverage units in a group reflects the quantity of service provided determined by considering the quantity of benefits for each contract and its expected coverage period. The Company defines the quantity of benefits for insurance services as the maximum amount which a policyholder receives when an insured event takes place, for example the sum assured or the present value of a stream of payments. The quantity of benefits is updated each period. Investment related and investment return services are assumed to be constant over time. The expected coverage period is the expected duration up to the contract boundary. The expected coverage period of the contracts in a group and the calculation of future coverage units allows for expected decrements (eg deaths and lapses) in each future period using current best estimate assumptions consistent with the BEL calculation. The Company allows the future coverage units in the determination of the proportion of CSM recognised in profit or loss. Determination of coverage units for groups of reinsurance contracts held follows the same principles as for groups of underlying contracts.

(f) Deferred tax

Deferred tax is recognised for deductible temporary differences to the extent that it is probably that taxable profit will be available against which the deductible temporary difference can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of the deferred tax assets relating to recognised deductible temporary differences as at 31 December 2025 was HK\$23,062,508 (2024: deferred tax assets of HK\$21,982,742). There is no unrecognised deductible temporary difference as at 31 December 2025 (2024: nil). Further details are disclosed in Note 16 of the financial statements.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. INSURANCE SERVICE REVENUE

	2025 HK\$	2024 HK\$
By transition method		
Contracts measured under the fair value approach	6,117,143	6,764,594
Contracts measured under full retrospective approach	1,689,645,209	1,581,199,336
	<u>1,695,762,352</u>	<u>1,587,963,930</u>

5. INVESTMENT INCOME AND EXPENSE

	2025 HK\$	2024 HK\$
Investments at FVTPL		
Interest income from financial investment assets	43,595,499	39,874,276
Unrealised gain or loss on investment at FVTPL	47,855,213	4,392,858
Realised gain/(loss) on investment	1,770,005	(1,345,668)
Other expenses	(2,842,107)	(2,649,614)
Financial Assets at amortised costs		
Effective interest income from time deposits with original maturity over 3 months	9,098,145	10,983,726
Effective interest income from cash and cash equivalents	<u>46,660</u>	<u>128,171</u>
Total investment income and expense	<u>99,523,415</u>	<u>51,383,749</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

6. PROFIT BEFORE TAX

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

	Notes	2025 HK\$	2024 HK\$
Depreciation of plant and equipment	10	4,151,264	1,603,542
Depreciation of right-of-use assets	11	5,688,207	9,282,436
Amortisation of intangible assets	12	11,844,996	8,938,603
Auditor's remuneration		4,991,350	4,650,000
Employee benefit expenses (excluding Directors' remuneration (note 8))			
Wages and salaries		75,080,558	82,134,140
Pension schemes contributions (defined contribution scheme)		4,949,949	4,483,019
		<u>80,030,507</u>	<u>86,617,159</u>
Foreign exchange (gains)/losses, net		(216,199)	517,131
Finance cost - interest expenses on lease liabilities	20	<u>808,115</u>	<u>534,791</u>

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong in prior year. The Company is a qualifying entity under the two-tiered profits tax rates regime. During the year, the first HK\$ 2,000,000 (2024: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2024: 8.25%) and the remaining estimated assessable profits are taxed at 16.5% (2024: 16.5%).

	2025 HK\$	2024 HK\$
Deferred tax	(1,079,766)	(39,711,290)
Current tax charge/(credit) for the year		
Current tax charge	10,738,365	31,457,973
Pillar Two income tax	24,748,871	-
Under/(Over)-provision in prior year	<u>685,478</u>	<u>(86,912)</u>
Total tax charge/(credit) for the year	<u>35,092,948</u>	<u>(8,340,229)</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

7. INCOME TAX (CREDIT)/EXPENSE (continued)

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate, are as follows:

	2025 HK\$	%	2024 HK\$	%
Profit before tax	<u>180,351,031</u>		<u>43,481,962</u>	
Tax at the statutory tax rate of 16.5% (2024: 16.5%)	29,757,920	16.5	7,174,523	16.5
Tax at lower tax rate	(165,000)	(0.1)	(165,000)	(0.4)
Foreign tax credit allowed	(135,634)	(0.1)	(1,061,707)	(2.4)
Pillar Two Income tax	24,748,871	13.7	-	-
Adjustment for adoption of the Hong Kong Risk-based Capital Regime	(3,251,002)	(1.8)	(5,043,361)	(11.6)
Expenses not deductible for tax	692,586	0.4	886,640	2.0
Income not subject to tax	(16,736,552)	(9.3)	(8,860,268)	(20.4)
Under/(over)-provision in prior year	685,478	0.4	(86,912)	(0.2)
Adjustment for adoption of HKFRS 17 (life business)	(619,333)	(0.3)	(678,380)	(1.6)
Tax reduction	-		(1,500)	(0.0)
Others	<u>115,614</u>	<u>0.1</u>	<u>(504,264)</u>	<u>(1.1)</u>
Total tax expenses/(credits) at the effective rate	<u>35,092,948</u>	<u>19.5</u>	<u>(8,340,229)</u>	<u>(19.2)</u>

Pillar Two income taxes

The Organization of Economic Cooperation and Development (“OECD”) announced a landmark International agreement for a two-pillar solution to reform International taxation rules. Pillar Two stipulates a global minimum tax mechanism with the objective of subjecting multinational enterprise groups with annual revenue exceeding EUR750 million to a minimum effective tax rate of 15% of their profits in every jurisdiction where they operate.

Hong Kong has enacted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Group) Ordinance 2025 to implement the Pillar Two model rules on 6 June 2025. Upon the gazettal of the Ordinance, the Income Inclusion Rule (“IIR”) and Hong Kong Minimum Top-up Tax (“HKMTT”) took effect retrospectively in Hong Kong for fiscal year beginning on or after 1 January 2025. For in-scope multinational enterprise group, they are required to consider the impact of IIR and HKMTT in the financial statements for the year ended 31 December 2025.

The Company is within the scope of the OECD’s Pillar Two model rules. Under the Pillar Two legislation enacted in Hong Kong, the Company is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion (“GloBE”) effective tax rate (“ETR”) and the 15% minimum tax. In addition, the management has elected the Company to act as the designated paying entity for the payment of HKMTT on behalf of all Hong Kong constituent entities of the Group, namely LSMHK and the Company. Accordingly, the relevant tax provision covering the HKMTT liabilities of LSMHK and the Company of the HK\$24,748,871 has already been reflected in the Company’s current tax provision.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

8. DIRECTORS' REMUNERATION

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

	Note	2025 HK\$	2024 HK\$
Fees		400,000	400,000
Other emoluments		<u>12,442,215</u>	<u>6,075,293</u>
	19(f)	<u>12,842,215</u>	<u>6,475,293</u>

The aggregate amount of emoluments of the five highest paid directors amounted to HK\$12,842,215 (2024: HK\$6,475,293).

9. CASH AND CASH EQUIVALENTS

	2025 HK\$	2024 HK\$
Cash and bank balances	216,609,786	253,254,929
Non-pledged time deposits	<u>323,735,289</u>	<u>296,113,701</u>
	540,345,075	549,368,630
Less: Non-pledged time deposits with original maturity over 3 months when acquired	<u>(323,735,289)</u>	<u>(296,113,701)</u>
Cash and cash equivalents	<u>216,609,786</u>	<u>253,254,929</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Company. Deposits are subject to variable interest rates ranging from 1.2% - 3.35% (2024: 3.0% - 5.1675%) during the year. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts disclosed are approximate to their fair values at the end of the reporting period.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

10. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$	Construction in progress HK\$	Total HK\$
31 December 2025			
At 1 January 2025:			
Cost	49,236,500	13,358,077	62,594,577
Accumulated depreciation	(29,680,745)	-	(29,680,745)
Net carrying amount	<u>19,555,755</u>	<u>13,358,077</u>	<u>32,913,832</u>
At 1 January 2025	19,555,755	13,358,077	32,913,832
Additions	285,359	15,384,990	15,670,349
Disposals/written off	-	(19,221,376)	(19,221,376)
Disposals/written off – depreciation	-	-	-
Depreciation provided during the year	<u>(4,151,264)</u>	<u>-</u>	<u>(4,151,264)</u>
At 31 December 2025, net of accumulated depreciation	<u>15,689,850</u>	<u>9,521,691</u>	<u>25,211,541</u>
At 31 December 2025:			
Cost	49,521,859	9,521,691	59,043,550
Accumulated depreciation	(33,832,009)	-	(33,832,009)
Net carrying amount	<u>15,689,850</u>	<u>9,521,691</u>	<u>25,211,541</u>
31 December 2024			
	HK\$	HK\$	HK\$
At 1 January 2024:			
Cost	41,168,823	14,752,342	55,921,165
Accumulated depreciation	(39,616,774)	-	(39,616,774)
Net carrying amount	<u>1,552,049</u>	<u>14,752,342</u>	<u>16,304,391</u>
At 1 January 2024	1,552,049	14,752,342	16,304,391
Additions	19,678,576	22,591,846	42,270,422
Disposals/written off	(11,610,899)	(23,986,111)	(35,597,010)
Disposals/written off – depreciation	11,539,571	-	11,539,571
Depreciation provided during the year	<u>(1,603,542)</u>	<u>-</u>	<u>(1,603,542)</u>
At 31 December 2024, net of accumulated depreciation	<u>19,555,755</u>	<u>13,358,077</u>	<u>32,913,832</u>
At 31 December 2024:			
Cost	49,236,500	13,358,077	62,594,577
Accumulated depreciation	(29,680,745)	-	(29,680,745)
Net carrying amount	<u>19,555,755</u>	<u>13,358,077</u>	<u>32,913,832</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. RIGHT-OF-USE ASSETS

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

	2025 HK\$	2024 HK\$
At 1 January:		
Cost	36,331,107	19,088,977
Accumulated depreciation	(3,231,031)	(12,427,257)
Net carrying amount	<u>33,100,076</u>	<u>6,661,720</u>
At 1 January, net of accumulated depreciation	33,100,076	6,661,720
Additions	4,147,150	35,720,792
Expired lease	-	(18,478,662)
Accumulated depreciation written off	-	18,478,662
Depreciation provided during the year	<u>(5,688,207)</u>	<u>(9,282,436)</u>
At 31 December, net of accumulated depreciation	<u>31,559,019</u>	<u>33,100,076</u>
At 31 December:		
Cost	40,478,257	36,331,107
Accumulated depreciation	<u>(8,919,238)</u>	<u>(3,231,031)</u>
Net carrying amount	<u>31,559,019</u>	<u>33,100,076</u>

The Company obtains right to use the office premise and printers for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of terms and conditions including lease payments and lease terms ranging from three to five years.

Additions to the right-of-use assets during the year ended 31 December 2025 were HK\$4,147,150 (2024: HK\$35,720,792).

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

12. INTANGIBLE ASSETS

	2025 HK\$	2024 HK\$
At 1 January:		
Cost	54,392,373	44,507,005
Accumulated amortization	(39,793,038)	(30,854,435)
Net carrying amount	<u>14,599,335</u>	<u>13,652,570</u>
At 1 January, net of accumulated amortization	14,599,335	13,652,570
Additions	16,783,857	9,885,368
Amortisation provided during the year	<u>(11,844,996)</u>	<u>(8,938,603)</u>
At 31 December, net of accumulated amortisation	<u>19,538,196</u>	<u>14,599,335</u>
At 31 December:		
Cost	71,176,230	54,392,373
Accumulated amortisation	(51,638,034)	(39,793,038)
Net carrying amount	<u>19,538,196</u>	<u>14,599,335</u>

13. INVESTMENTS

	2025 HK\$	2024 HK\$
At fair value:		
Government bonds	1,311,299,593	1,258,567,167
Corporate bonds	<u>433,712,456</u>	<u>324,953,270</u>
	<u>1,745,012,049</u>	<u>1,583,520,437</u>
At amortised cost:		
Non-pledged time deposits with original maturity over 3 months	<u>323,735,289</u>	<u>296,113,701</u>
Total	<u>2,068,747,338</u>	<u>1,879,634,138</u>

During the year, the gross gain in respect of the Company's investments in listed government and corporate bonds recognised in profit and loss amount to HK\$47,855,213 (2024: HK\$4,392,858).

Included in the Company's investments in listed government and corporate bonds were instruments with a carrying value of HK\$1,241,034,918 (2024: HK\$1,235,330,708) which mature beyond twelve months from the end of the reporting period.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$	2024 HK\$
Prepayments, deposits, and other receivables	<u>69,399,948</u>	<u>54,904,531</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables from independent third parties that have no recent history of default.

The carrying amounts disclosed approximate to their fair values at the end of the reporting period. Except for deposits of HK\$3,984,399 (2024: HK\$4,972,493) paid to various service providers, the remaining amounts are expected to be recognised within twelve months from the end of the reporting period.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES

a) *Insurance contracts - Analysis by remaining coverage and incurred claims under PAA*

The following table presents the movement in the net assets or liabilities for insurance contracts issued, showing the amounts for remaining coverage and the amounts for incurred claims for the years ended 31 December 2025 and 31 December 2024.

As at 31 December 2025

	Liability for remaining coverage, excl. loss component	Liability for remaining coverage, Loss component	Liability for incurred claims, Estimates of future cash flows	Liability for incurred claims, risk adjustment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contract assets at 1 January 2025	-	-	-	-	-
Insurance contract liabilities at 1 January 2025	(326,442,642)	-	(813,121,075)	(49,245,467)	(1,188,809,184)
Net insurance contract assets/(liabilities) at 1 January 2025	(326,442,642)	-	(813,121,075)	(49,245,467)	(1,188,809,184)
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Insurance service revenue	1,684,528,822	-	-	-	1,684,528,822
Insurance service expenses					
Amortisation of insurance acquisition cash flows	(433,556,248)	-	-	-	(433,556,248)
Incurred claims and other insurance service expenses	-	-	(1,081,365,296)	(20,407,341)	(1,101,772,637)
Losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	99,730,750	23,630,518	123,361,268
Insurance service result	1,250,972,574	-	(981,634,546)	3,223,177	272,561,205
Insurance finance income/expense	-	-	(38,512,287)	(2,419,994)	(40,932,281)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	1,250,972,574	-	(1,020,146,833)	803,183	231,628,924
Cash flows:					
Premiums received (including premium refunds)	(1,736,943,088)	-	-	-	(1,736,943,088)
Insurance acquisition cash flows	458,985,208	-	-	-	458,985,208
Claims and other insurance service expenses paid	-	-	1,012,347,569	-	1,012,347,569
Total cash flows	(1,277,957,880)	-	1,012,347,569	-	(265,610,311)
Insurance contract assets at 31 December 2025	-	-	-	-	-
Insurance contract liabilities at 31 December 2025	(353,427,948)	-	(820,920,339)	(48,442,284)	(1,222,790,571)
Net insurance contract assets/(liabilities) at 31 December 2025	(353,427,948)	-	(820,920,339)	(48,442,284)	(1,222,790,571)

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

a) Insurance contracts - Analysis by remaining coverage and incurred claims under PAA (continued)

As at 31 December 2024

	Liability for remaining coverage, excl. loss component	Liability for remaining coverage, Loss component	Liability for incurred claims, Estimates of future cash flows	Liability for incurred claims, risk adjustment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contract assets at 1 January 2024	-	-	-	-	-
Insurance contract liabilities at 1 January 2024	(315,279,039)	-	(694,556,526)	(45,177,949)	(1,055,013,514)
Net insurance contract assets/(liabilities) at 1 January 2024	(315,279,039)	-	(694,556,526)	(45,177,949)	(1,055,013,514)
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Insurance service revenue	1,576,797,098	-	-	-	1,576,797,098
Insurance service expenses					
Amortisation of insurance acquisition cash flows	(403,613,131)	-	-	-	(403,613,131)
Incurred claims and other insurance service expenses	-	-	(1,086,367,666)	(22,639,682)	(1,109,007,348)
Losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	37,881,874	20,135,824	58,017,698
Insurance service result	1,173,183,967	-	(1,048,485,792)	(2,503,858)	122,194,317
Insurance finance income/expense	-	-	(24,521,644)	(1,563,660)	(26,085,304)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	1,173,183,967	-	(1,073,007,436)	(4,067,518)	96,109,013
Cash flows:					
Premiums received (including premium refunds)	(1,599,748,988)	-	-	-	(1,599,748,988)
Insurance acquisition cash flows	415,401,418	-	-	-	415,401,418
Claims and other insurance service expenses paid	-	-	954,442,887	-	954,442,887
Total cash flows	(1,184,347,570)	-	954,442,887	-	(229,904,683)
Insurance contract assets at 31 December 2024	-	-	-	-	-
Insurance contract liabilities at 31 December 2024	(326,442,642)	-	(813,121,075)	(49,245,467)	(1,188,809,184)
Net insurance contract assets/(liabilities) at 31 December 2024	(326,442,642)	-	(813,121,075)	(49,245,467)	(1,188,809,184)

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

b) *Reinsurance contracts held – Analysis by remaining coverage and incurred claims under PAA*

The following table presents the movement in the net assets or liabilities for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers for the years ended 31 December 2025 and 31 December 2024.

As at 31 December 2025

	Asset for remaining coverage, excl. loss-recovery component	Asset for remaining coverage, loss- recovery component	Asset for incurred claims, estimates of future cash flows	Asset for incurred claims, risk adjustment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Reinsurance contract assets at 1 January 2025	(27,333,303)	-	133,640,760	6,476,951	112,784,408
Reinsurance contract liabilities at 1 January 2025	-	-	-	-	-
Net reinsurance contract asset/(liabilities) at 1 January 2025	(27,333,303)	-	133,640,760	6,476,951	112,784,408
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Reinsurance expenses	(99,258,541)	-	-	-	(99,258,541)
Recoverable from reinsurers for incurred claims	-	-	-	-	-
Recoverable for incurred claims and other expenses	-	-	44,948,501	1,449,667	46,398,168
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(25,294,570)	(4,197,663)	(29,492,233)
Net expenses from reinsurance contracts held	(99,258,541)	-	19,653,931	(2,747,996)	(82,352,606)
Reinsurance finance income/expense	-	-	4,728,285	297,450	5,025,735
Effect of changes in non-performance risk	-	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(99,258,541)	-	24,382,216	(2,450,546)	(77,326,871)
Cash flows:					
Reinsurance premiums paid	162,162,568	-	-	-	162,162,568
Amounts received	(50,278,204)	-	(48,209,081)	-	(98,487,285)
Total cash flows	111,884,364	-	(48,209,081)	-	63,675,283
Reinsurance contract assets at 31 December 2025	(14,539,313)	-	109,813,895	4,026,405	99,300,987
Reinsurance contract liabilities at 31 December 2025	(168,167)	-	-	-	(168,167)
Net reinsurance contract assets/(liabilities) at 31 December 2025	(14,707,480)	-	109,813,895	4,026,405	99,132,820

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

b) Reinsurance contracts held – Analysis by remaining coverage and incurred claims under PAA (continued)

As at 31 December 2024

	Asset for remaining coverage, excl. loss-recovery component	Asset for remaining coverage, loss- recovery component	Asset for incurred claims, estimates of future cash flows	Asset for incurred claims, risk adjustment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Reinsurance contract assets at 1 January 2024	(37,378,680)	-	129,970,587	8,594,002	101,185,909
Reinsurance contract liabilities at 1 January 2024	(51,567)	-	-	-	(51,567)
Net reinsurance contract asset/(liabilities) at 1 January 2024	(37,430,247)	-	129,970,587	8,594,002	101,134,342
Changes in the Statement of Profit or Loss and Other Comprehensive Income					
Reinsurance expenses	(95,952,586)	-	-	-	(95,952,586)
Recoverable from reinsurers for incurred claims	-	-	-	-	-
Recoverable for incurred claims and other expenses	-	-	50,216,031	2,194,458	52,410,489
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	2,280,148	(4,618,414)	(2,338,266)
Net expenses from reinsurance contracts held	(95,952,586)	-	52,496,179	(2,423,956)	(45,880,363)
Reinsurance finance income/expense	-	-	3,743,015	306,905	4,049,920
Effect of changes in non-performance risk	-	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(95,952,586)	-	56,239,194	(2,117,051)	(41,830,443)
Cash flows:					
Reinsurance premiums paid	129,266,682	-	-	-	129,266,682
Amounts received	(23,217,152)	-	(52,569,021)	-	(75,786,173)
Total cash flows	106,049,530	-	(52,569,021)	-	53,480,509
Reinsurance contract assets at 31 December 2024	(27,333,303)	-	133,640,760	6,476,951	112,784,408
Reinsurance contract liabilities at 31 December 2024	-	-	-	-	-
Net reinsurance contract assets/(liabilities) at 31 December 2024	(27,333,303)	-	133,640,760	6,476,951	112,784,408

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(c) Insurance contracts - Analysis by remaining coverage and incurred claims under GMM

The following table presents the movement in the net assets or liabilities for insurance contracts issued, showing the amounts for remaining coverage and the amounts for incurred claims for the years ended 31 December 2025 and 31 December 2024.

As at 31 December 2025

	Liability for remaining coverage, excl. loss component	Liability for remaining coverage, loss component	Liability for incurred claims	Total
	HK\$	HK\$	HK\$	HK\$
Insurance contract assets at 1 January 2025	-	-	-	-
Insurance contract liabilities at 1 January 2025	(5,644,197)	-	-	(5,644,197)
Net insurance contract assets/(liabilities) at 1 January 2025	(5,644,197)	-	-	(5,644,197)
Changes in the Statement of Profit or Loss and Other Comprehensive Income				
Insurance service revenue				
Expected incurred claims and other insurance service result	8,390,052	-	-	8,390,052
Change in risk adjustment for non-financial risk expired	163,454	-	-	163,454
CSM recognized for service provided	999,195	-	-	999,195
Other adjustments	552,340	-	-	552,340
Recovery of insurance acquisition cashflow	1,128,489	-	-	1,128,489
	11,233,530	-	-	11,233,530
Insurance service expenses				
Amortisation of insurance acquisition cash flows	(1,128,489)	-	-	(1,128,489)
Incurred claims and other insurance service expenses	-	-	(3,893,802)	(3,893,802)
Adjustments to liabilities for incurred claims	-	-	-	-
	(1,128,489)	-	(3,893,802)	(5,022,291)
Investment components	-	-	-	-
Insurance service result	10,105,041	-	(3,893,802)	6,211,239
Insurance finance income/expense	(266,292)	-	-	(266,292)
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	9,838,749	-	(3,893,802)	5,944,947
Cash flows:				
Premiums received	(10,582,050)	-	-	(10,582,050)
Insurance acquisition cash flows	-	-	-	-
Claims and other insurance service expenses paid	-	-	3,893,802	3,893,802
Total cash flows	(10,582,050)	-	3,893,802	(6,688,248)
Insurance contract assets at 31 December 2025	-	-	-	-
Insurance contract liabilities at 31 December 2025	(6,387,498)	-	-	(6,387,498)
Net insurance contract assets/(liabilities) at 31 December 2025	(6,387,498)	-	-	(6,387,498)

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

c) Insurance contracts - Analysis by remaining coverage and incurred claims under GMM (continued)

As at 31 December 2024

	Liability for remaining coverage, excl. loss component	Liability for remaining coverage, loss component	Liability for incurred claims	Total
	HK\$	HK\$	HK\$	HK\$
Insurance contract assets at 1 January 2024	-	-	-	-
Insurance contract liabilities at 1 January 2024	(5,225,067)	-	-	(5,225,067)
Net insurance contract assets/(liabilities) at 1 January 2024	(5,225,067)	-	-	(5,225,067)
Changes in the Statement of Profit or Loss and Other Comprehensive Income				
Insurance service revenue				
Expected incurred claims and other insurance service result	8,833,921	-	-	8,833,921
Change in risk adjustment for non-financial risk expired	173,580	-	-	173,580
CSM recognized for service provided	985,006	-	-	985,006
Other adjustments	(8,220)	-	-	(8,220)
Recovery of insurance acquisition cashflow	1,182,545	-	-	1,182,545
	11,166,832	-	-	11,166,832
Insurance service expenses				
Amortisation of insurance acquisition cash flows	(1,182,545)	-	-	(1,182,545)
Incurred claims and other insurance service expenses	-	-	(4,047,037)	(4,047,037)
Adjustments to liabilities for incurred claims	-	-	-	-
	(1,182,545)	-	(4,047,037)	(5,229,582)
Investment components	115,900	-	(115,900)	-
Insurance service result	10,100,187	-	(4,162,937)	5,937,250
Insurance finance income/expense	(95,162)	-	-	(95,162)
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	10,005,025	-	(4,162,937)	5,842,088
Cash flows:				
Premiums received	(10,424,155)	-	-	(10,424,155)
Insurance acquisition cash flows	-	-	-	-
Claims and other insurance service expenses paid	-	-	4,162,937	4,162,937
Total cash flows	(10,424,155)	-	4,162,937	(6,261,218)
Insurance contract assets at 31 December 2024	-	-	-	-
Insurance contract liabilities at 31 December 2024	(5,644,197)	-	-	(5,644,197)
Net insurance contract assets/(liabilities) at 31 December 2024	(5,644,197)	-	-	(5,644,197)

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(d) *Reinsurance contracts held – Analysis by remaining coverage and incurred claims under GMM*

The following table presents the movement in the net assets or liabilities for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers for the years ended 31 December 2025 and 31 December 2024.

As at 31 December 2025

	Assets for remaining coverage, excl. loss component HK\$	Assets for remaining coverage, loss component recovery HK\$	Assets for incurred claims, estimates of future cash flows HK\$	Total HK\$
Reinsurance contract assets at 1 January 2025	2,807,144	-	-	2,807,144
Reinsurance contract liabilities at 1 January 2025	-	-	-	-
Net reinsurance contract assets/(liabilities) at 1 January 2025	2,807,144	-	-	2,807,144
Changes in the Statement of Profit or Loss and Other Comprehensive Income				
Net expenses from reinsurance contracts held				
Allocation of reinsurance premiums paid	(4,519,938)	-	-	(4,519,938)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	509,408	509,408
Changes in recoveries for past claims	-	-	-	-
Net expenses from reinsurance contracts held	(4,519,938)	-	509,408	(4,010,530)
Investment components	-	-	-	-
Reinsurance finance income/expense	119,445	-	-	119,445
Effect of changes in non-performance risk	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(4,400,493)	-	509,408	(3,891,085)
Cash flows:				
Premiums paid	4,869,112	-	-	4,869,112
Amounts received	-	-	(509,408)	(509,408)
Total cash flows	4,869,112	-	(509,408)	4,359,704
Reinsurance contract assets at 31 December 2025	3,275,763	-	-	3,275,763
Reinsurance contract liabilities at 31 December 2025	-	-	-	-
Net reinsurance contract assets/(liabilities) at 31 December 2025	3,275,763	-	-	3,275,763

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

d) Reinsurance contracts held – Analysis by remaining coverage and incurred claims under GMM (continued)

As at 31 December 2024

	Assets for remaining coverage, excl. loss component HK\$	Assets for remaining coverage, loss component recovery HK\$	Assets for incurred claims, estimates of future cash flows HK\$	Total HK\$
Reinsurance contract assets at 1 January 2024	2,558,934	-	-	2,558,934
Reinsurance contract liabilities at 1 January 2024	-	-	-	-
Net reinsurance contract assets/(liabilities) at 1 January 2024	2,558,934	-	-	2,558,934
Changes in the Statement of Profit or Loss and Other Comprehensive Income				
Net expenses from reinsurance contracts held				
Allocation of reinsurance premiums paid	(3,135,169)	-	-	(3,135,169)
Recoveries on incurred claims and other incurred reinsurance service expenses	-	-	278,493	278,493
Changes in recoveries for past claims	-	-	-	-
Net expenses from reinsurance contracts held	(3,135,169)	-	278,493	(2,856,676)
Investment components	(114,768)	-	114,768	-
Reinsurance finance income/expense	44,501	-	-	44,501
Effect of changes in non-performance risk	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(3,205,436)	-	393,261	(2,812,175)
Cash flows:				
Premiums paid	3,453,646	-	-	3,453,646
Amounts received	-	-	(393,261)	(393,261)
Total cash flows	3,453,646	-	(393,261)	3,060,385
Reinsurance contract assets at 31 December 2024	2,807,144	-	-	2,807,144
Reinsurance contract liabilities at 31 December 2024	-	-	-	-
Net reinsurance contract assets/(liabilities) at 31 December 2024	2,807,144	-	-	2,807,144

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

e) Insurance contracts – Analysis by remaining coverage under GMM

At 31 December 2025

	Estimates of future cash flow HK\$	Risk adjustment HK\$	Contractual Service Margin HK\$	Total HK\$
Opening assets	-	-	-	-
Opening liabilities	(1,564,484)	(922,973)	(3,156,740)	(5,644,197)
Net opening as at 1 January 2025	(1,564,484)	(922,973)	(3,156,740)	(5,644,197)
Changes that relate to future services	-	-	-	-
Changes in estimates that adjust CSM	(223,935)	(41,812)	265,747	-
Contracts initially recognised in the period	1,086,184	(81,730)	(1,004,454)	-
	862,249	(123,542)	(738,707)	-
Changes that relate to current services				
Release of CSM to profit or loss	-	-	999,195	999,195
Release of RA to profit or loss	-	163,454	-	163,454
Experience adjustments	5,048,590	-	-	5,048,590
	5,048,590	163,454	999,195	6,211,239
Insurance service results	5,910,839	39,912	260,488	6,211,239
Net finance (income)/expense from insurance contracts	(146,948)	(67,551)	(51,793)	(266,292)
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	5,763,891	(27,639)	208,695	5,944,947
Cash flows				
Premiums received	(10,582,050)	-	-	(10,582,050)
Insurance acquisition cash flows	-	-	-	-
Claims and other insurance service expense	3,893,802	-	-	3,893,802
Total cash flows	(6,688,248)	-	-	(6,688,248)
Closing assets	-	-	-	-
Closing Liabilities	(2,488,841)	(950,612)	(2,948,045)	(6,387,498)
Net closing at 31 December 2025	(2,488,841)	(950,612)	(2,948,045)	(6,387,498)

Note: The Company only adopted fair value approach for transition.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

e) Insurance contracts – Analysis by remaining coverage under GMM (continued)

At 31 December 2024

	Estimates of future cash flow HK\$	Risk adjustment HK\$	Contractual Service Margin HK\$	Total HK\$
Opening assets	-	-	-	-
Opening liabilities	(2,341,702)	(997,583)	(1,885,782)	(5,225,067)
Net opening as at 1 January 2024	(2,341,702)	(997,583)	(1,885,782)	(5,225,067)
Changes that relate to future services				
Changes in estimates that adjust CSM	1,129,537	8,235	(1,137,772)	-
Contracts initially recognised in the period	1,119,124	(85,864)	(1,033,260)	-
	2,248,661	(77,629)	(2,171,032)	-
Changes that relate to current services				
Release of CSM to profit or loss	-	-	985,006	985,006
Release of RA to profit or loss	-	173,580	-	173,580
Experience adjustments	4,778,664	-	-	4,778,664
	4,778,664	173,580	985,006	5,937,250
Insurance service results	7,027,325	95,951	(1,186,026)	5,937,250
Net finance (income)/expense from insurance contracts	11,111	(21,341)	(84,932)	(95,162)
Effect of movements in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	7,038,436	74,610	(1,270,958)	5,842,088
Cash flows				
Premiums received	(10,424,155)	-	-	(10,424,155)
Insurance acquisition cash flows	-	-	-	-
Claims and other insurance service expense	4,162,937	-	-	4,162,937
Total cash flows	(6,261,218)	-	-	(6,261,218)
Closing assets	-	-	-	-
Closing Liabilities	(1,564,484)	(922,973)	(3,156,740)	(5,644,197)
Net closing at 31 December 2024	(1,564,484)	(922,973)	(3,156,740)	(5,644,197)

Note: The Company only adopted fair value approach for transition.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

f) Reinsurance contracts held – Analysis by remaining coverage under GMM

At 31 December 2025

	Estimates of future cash flow HK\$	Risk adjustment HK\$	Contractual Service Margin HK\$	Total HK\$
Opening Assets	1,706,334	515,556	585,254	2,807,144
Opening liabilities	-	-	-	-
Net opening as at 1 January 2025	1,706,334	515,556	585,254	2,807,144
Changes that relate to future services				
Changes in estimates that adjust CSM	169,683	25,405	(195,088)	-
Contracts initially recognised in the period	(531,633)	42,509	489,124	-
	(361,950)	67,914	294,036	-
Changes that relate to current services				
Release of CSM to profit or loss	-	-	(326,944)	(326,944)
Release of RA to profit or loss	-	(90,755)	-	(90,755)
Experience adjustments	(3,592,831)	-	-	(3,592,831)
	(3,592,831)	(90,755)	(326,944)	(4,010,530)
Insurance service results	(3,954,781)	(22,841)	(32,908)	(4,010,530)
Net finance (income)/expense from insurance and reinsurance contracts	142,217	37,488	(60,260)	119,445
Effect of movement in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(3,812,564)	14,647	(93,168)	(3,891,085)
Cash flows				
Premiums paid	4,869,112	-	-	4,869,112
Amounts received	(509,408)	-	-	(509,408)
Total cash flows	4,359,704	-	-	4,359,704
Closing assets	2,253,474	530,203	492,086	3,275,763
Closing Liabilities	-	-	-	-
Net closing as at 31 December 2025	2,253,474	530,203	492,086	3,275,763

Note: The Company only adopted fair value approach for transition.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

f) Reinsurance contracts held – Analysis by remaining coverage under GMM (continued)

At 31 December 2024

	Estimates of future cash flow HK\$	Risk adjustment HK\$	Contractual Service Margin HK\$	Total HK\$
Opening Assets	2,180,011	557,859	(178,936)	2,558,934
Opening liabilities	-	-	-	-
Net opening as at 1 January 2024	2,180,011	557,859	(178,936)	2,558,934
Changes that relate to future services				
Changes in estimates that adjust CSM	(608,567)	(1,003)	609,570	-
Contracts initially recognised in the period	(488,178)	44,151	444,027	-
	<u>(1,096,745)</u>	<u>43,148</u>	<u>1,053,597</u>	<u>-</u>
Changes that relate to current services				
Release of CSM to profit or loss	-	-	(311,844)	(311,844)
Release of RA to profit or loss	-	(96,701)	-	(96,701)
Experience adjustments	(2,448,131)	-	-	(2,448,131)
	<u>(2,448,131)</u>	<u>(96,701)</u>	<u>(311,844)</u>	<u>(2,856,676)</u>
Insurance service results	(3,544,876)	(53,553)	741,753	(2,856,676)
Net finance (income)/expense from insurance and reinsurance contracts	10,814	11,250	22,437	44,501
Effect of movement in exchange rates	-	-	-	-
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(3,534,062)	(42,303)	764,190	(2,812,175)
Cash flows				
Premiums paid	3,453,646	-	-	3,453,646
Amounts received	(393,261)	-	-	(393,261)
Total cash flows	<u>3,060,385</u>	<u>-</u>	<u>-</u>	<u>3,060,385</u>
Closing assets	1,706,334	515,556	585,254	2,807,144
Closing Liabilities	-	-	-	-
Net closing as at 31 December 2024	1,706,334	515,556	585,254	2,807,144

Note: The Company only adopted fair value approach for transition.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

g) *Components of insurance contracts initially recognised and reinsurance contracts held under GMM*

	2025 HK\$	2024 HK\$
Insurance contract liabilities		
Estimate of present value of future cash outflows excluding insurance acquisition cash flows	2,208,921	2,320,644
Estimates of insurance acquisition cash flows	1,970,893	2,040,727
Estimate of present value of future cash outflows	4,179,814	4,361,371
Estimate of present value of future cash inflows	(5,265,998)	(5,480,495)
Risk adjustments	81,730	85,864
CSM	1,004,454	1,033,260
Losses on onerous contracts at initial recognition	-	-
Reinsurance contract liabilities		
Estimate of present value of future cash outflows	1,265,081	1,313,413
Estimate of present value of future cash inflows	(1,796,714)	(1,801,591)
Risk adjustments	42,509	44,151
CSM	489,124	444,027
Income recognised on initial recognition	-	-

The Company did not issue any onerous insurance contracts under GMM.

h) *CSM recognition in profit or loss*

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

2025	Within 1 year HK\$	1-2 years HK\$	2-3 years HK\$	3-4 years HK\$	4-5 years HK\$	over 5 years HK\$	Total HK\$
Insurance contracts issued	664,087	390,609	332,870	296,969	243,071	1,020,439	2,948,045
Reinsurance contracts held	204,231	74,514	60,450	54,009	40,260	58,623	492,087
2024	Within 1 year HK\$	1-2 years HK\$	2-3 years HK\$	3-4 years HK\$	4-5 years HK\$	over 5 years HK\$	Total HK\$
Insurance contracts issued	711,921	399,401	351,159	295,421	257,531	1,141,307	3,156,740
Reinsurance contracts held	196,561	68,658	64,151	50,153	43,091	162,640	585,254

The Company expects to recognise the CSM in profit or loss for existing contracts within 28 years, which represents the longest coverage period for the contracts in force issued by the Company.

The expected timeline for the CSM recognition for reinsurance contracts held is in line with insurance contracts issued.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

16. DEFERRED TAX ASSETS/(LIABILITIES)

The measurement in deferred tax assets and liabilities during the year is as follows:

	Accelerated tax depreciation HK\$	Bad Debt HK\$	Provision of reinstatement cost HK\$	Others ¹ HK\$	Total HK\$
2025					
At 1 January 2025	(2,753,716)	107,745	558,664	24,070,049	21,982,742
Deferred tax charged to profit or loss during the year	(285,023)	(37,785)	26,463	1,376,111	1,079,766
Deferred tax asset/(liabilities) at 31 December 2025	<u>(3,038,739)</u>	<u>69,960</u>	<u>585,127</u>	<u>25,446,160</u>	<u>23,062,508</u>
2024					
At 1 January 2024	(2,379,180)	149,820	-	(15,499,188)	(17,728,548)
Deferred tax charged to profit or loss during the year	(374,536)	(42,075)	558,664	39,569,237	39,711,290
Deferred tax asset/(liabilities) at 31 December 2024	<u>(2,753,716)</u>	<u>107,745</u>	<u>558,664</u>	<u>24,070,049</u>	<u>21,982,742</u>

¹ In the financial statement prepared under HKFRS 17, there are additional deferred tax liabilities recognized as a result of an increase in taxable temporary differences arisen from the insurance contract balances between local regulatory basis and HKFRS basis.

17. OTHER PAYABLES AND ACCRUALS

	2025 HK\$	2024 HK\$
Other payables	<u>116,434,076</u>	<u>100,820,775</u>

The carrying amounts disclosed above reasonably approximate to their fair values at the end of the reporting period.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

18. SHARE CAPITAL

	2025 HK\$	2024 HK\$
Issued and fully paid:		
100 million (2024: 100 million) ordinary shares	110,000,000	100,000,000
Nil (2024: 10 million) redeemable preference shares	-	10,000,000
	<u>110,000,000</u>	<u>110,000,000</u>

During the year, the Company redeemed 10 million preference shares amounting to an aggregate redemption value of HK\$21,394,602. The redemption was made in accordance with the terms and conditions of the preference shares and was funded from distributable profits. Upon redemption, the preference shares were cancelled and ceased to carry any rights to dividends or voting. Such credit arising from the capital reduction has been applied to the ordinary share capital of the Company. In prior year, the preference shares of the Company are redeemable at the Company's option.

19. RELATED PARTY TRANSACTIONS

A portion of the Company's business is represented by transactions to which other members of the Liberty Mutual group of companies (the "Liberty Mutual Group") are parties and these financial statements reflect the effect of these transactions on the bases determined within the Liberty Mutual Group.

(a) The significant related party transactions during the year are summarised below:

- (i) In 2025, reinsurance premiums of HK\$1,053,020, HK\$2,066,446 and HK\$3,288,086 (2024: HK\$956,257, HK\$13,857,959 and HK\$1,033,605) were paid to fellow subsidiaries, an intermediate holding company and the immediate holding company, respectively, based on reinsurance agreements entered into between the Company and the counterparties. The terms were agreed between the Company and its counterparties.
- (ii) In 2025, commission income of HK\$185,764, HK\$783,556 and HK\$809,386 (2024: HK\$193,125, HK\$1,066,887 and HK\$236,601) were received from fellow subsidiaries, an intermediate holding company and the immediate holding company based on the terms as agreed between the Company and its counterparties.
- (iii) In 2025, claims of HK\$17,095, HK\$9,833,123 and Nil (2024: HK\$7,896, HK\$3,049,313 and HK\$20,825) were recovered from fellow subsidiaries, an intermediate holding company and the immediate holding company, which were based on reinsurance agreements entered into between the Company and the counterparties. The terms were agreed between the Company and its counterparties.
- (iv) The Company was charged HK\$2,279,264 (2024: HK\$2,111,678) by a fellow subsidiary for investment fees during the year. The terms were agreed between the Company and its counterparty.
- (v) In 2025, service fees of HK\$16,645,395 (2024: HK\$16,738,005) were charged by an intermediate holding company for support services in data and technology supporting services. The terms were agreed between the Company and its counterparty.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

19. RELATED PARTY TRANSACTIONS (continued)

- (vi) Management service fee expenses of HK\$9,287,552 (2024: HK\$11,339,118) were paid to fellow subsidiaries for the provision of supporting services on management, administration, technology and consulting, which were determined according to the expenses incurred by the fellow subsidiaries in providing such services. The terms were agreed between the Company and its counterparties.
- (vii) Management service fee expenses of HK\$13,997,222 (2024: HK\$11,779,710) were paid to an intermediate holding company for the provision of supporting services on management, administration, technology and consulting, which were determined according to the expenses incurred by the intermediate holding company in providing such services. The terms were agreed between the Company and its counterparty.
- (b) As disclosed in the statement of financial position, the Company had HK\$116,896 balance due from fellow subsidiaries as at the end of the reporting period (2024: HK\$108,890). The amounts due from the fellow subsidiaries are unsecured, interest-free and has no fixed terms of repayment.
- (c) As disclosed in the statement of financial position, the Company had amount due from an immediate holding company of HK\$306,690 as at the end of the reporting period (2024: HK\$1,108,003). The balance with the immediate holding company is unsecured, interest-free and has no fixed terms of repayment.
- (d) As disclosed in the statement of financial position, the Company had amount due to an intermediate holding company of HK\$3,347,909 as at the end of the reporting period (2024: HK\$5,277,359). The amount due to the intermediate holding company is unsecured, interest-free and has no fixed terms of repayment.
- (e) As disclosed in the statement of financial position, the Company had amounts due to its fellow subsidiaries of HK\$163,454 as at the end of the reporting period (2024: HK\$306,537). The amounts due to fellow subsidiaries are unsecured, interest-free and has no fixed terms of repayment.
- (f) Key management personnel include all executive directors of the Company. The total compensation paid to key management personnel of the Company includes short term employee benefits of HK\$12,842,215 (2024: HK\$6,475,293). Further details of directors' emoluments are included in note 8 to the financial statements.
- (g) During the year, as part of the restructuring in the Liberty Mutual Group, the Company redeemed preference shares held by its intermediate holding company and immediate holding company. The preference shares were redeemed in accordance with their contractual terms at the issued price. The total consideration paid for the redemption amounted to HK\$21,394,602, which were paid to the intermediate holding company and the immediate holding company. The redemption was settled in cash and funded from the Company's distributable profits. Upon redemption, the preference shares were cancelled and ceased to carry any rights to dividends or voting. The transaction was conducted on normal commercial terms and no balance was outstanding with these two related parties as at 31 December 2025.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

20. LEASE LIABILITIES

The Company has a lease contract for the office premise and a lease contract for office printers.

(a) Lease liabilities

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

	2025 HK\$	2024 HK\$
Carrying amount at 1 January:	33,256,641	6,469,190
Additions	2,523,445	32,386,810
Accretion of interest expenses during the year	808,115	534,791
Payment	(6,387,951)	(6,134,150)
	<u>30,200,250</u>	<u>33,256,641</u>
Analysed into:		
Current portion	6,702,107	5,966,523
Non-current portion	<u>23,498,143</u>	<u>27,290,118</u>
Carrying amount at 31 December:	<u>30,200,250</u>	<u>33,256,641</u>

The maturity analysis of lease liabilities is disclosed in note 23 to the financial statements.

(b) The amounts recognised in profit or loss in relation to lease are as follows:

	Note	2025 HK\$	2024 HK\$
Depreciation expense of right-of-use assets	11	5,688,207	9,282,436
Interest expenses on lease liabilities	6	<u>808,115</u>	<u>534,791</u>
Total amount recognised in profit or loss		<u>6,496,322</u>	<u>9,817,227</u>

The weighted average incremental borrowing rate applied to the lease liabilities recognised at as 31 December 2025 is 2.88% (2024: 2.52%)

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
As at 31 December 2025				
Debt securities – quoted:	<u>1,745,012,049</u>	<u>-</u>	<u>-</u>	<u>1,745,012,049</u>
As at 31 December 2024				
Debt securities – quoted:	<u>1,583,520,437</u>	<u>-</u>	<u>-</u>	<u>1,583,520,437</u>

The fair value of quoted debt securities classified as FVTPL is determined by direct reference to the market price quoted on a stock exchange or active market at the end of reporting year. These instruments are included in Level 1.

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

The carrying amount of other financial assets and liabilities that are not listed above approximate their fair value due to their short term nature.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

<u>Financial assets</u>	2025		
	Financial assets at fair value through profit or loss HK\$	Financial assets at amortised cost HK\$	Total HK\$
Investments in debt securities	1,745,012,049	-	1,745,012,049
Non-pledged time deposits with original maturity over 3 months	-	323,735,289	323,735,289
Due from fellow subsidiaries	-	116,896	116,896
Due from the immediate holding company	-	306,690	306,690
Deposits and other receivables	-	67,692,000	67,692,000
Cash and cash equivalents	-	216,609,786	216,609,786
	<u>1,745,012,049</u>	<u>608,460,661</u>	<u>2,353,472,710</u>

<u>Financial assets</u>	2024		
	Financial assets at fair value through profit or loss HK\$	Financial assets at amortised cost HK\$	Total HK\$
Investments in debt securities	1,583,520,437	-	1,583,520,437
Non-pledged time deposits with original maturity over 3 months	-	296,113,701	296,113,701
Due from fellow subsidiaries	-	108,890	108,890
Due from the immediate holding company	-	1,108,003	1,108,003
Deposits and other receivables	-	52,537,146	52,537,146
Cash and cash equivalents	-	253,254,929	253,254,929
	<u>1,583,520,437</u>	<u>603,122,669</u>	<u>2,186,643,106</u>

Financial liabilities

	Financial liabilities at amortised costs	
	2025 HK\$	2024 HK\$
Other payable and accruals	116,434,076	100,820,775
Due to an intermediate holding company	3,347,909	5,277,359
Due to fellow subsidiaries	<u>163,454</u>	<u>306,537</u>
	<u>119,945,439</u>	<u>106,404,671</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(1) Risk management

(a) *Corporate Governance*

The Company recognises the critical importance of having an efficient and effective risk management system in place. The Company has a clear organisational structure with clear delegated authorities and responsibilities. The Company has placed emphasis on assessment and documentation of internal controls and business conduct standards for the operations. Internal audit reviews are performed regularly by the Liberty Mutual Group's Internal Audit team and reporting is made independently to the board of directors.

The board of directors oversees corporate governance, approves the business strategies and major policies of the Company thus monitors the achievement of strategies and policies. The board also monitors the Company's performance against plan, and reviews developments in human resources and information technology. The Company reports strategic issues and financial statements to the board regularly. The board receives updated forecasts, budget and business plans during the year.

The Company's insurance claims provisions position is reviewed by an experienced internal actuary on a regular basis.

(b) *Asset liability management*

Financial risks arise from open positions in interest rate, currency and fixed income products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments is interest rate risk.

The Company manages these positions within its asset liability management framework that has been developed to achieve long term investment returns in excess of its obligations under insurance contracts. The principal technique is to match assets to the liabilities arising from insurance contracts, and thus to ensure sufficient cash flow is available in each period to meet liabilities arising from insurance contracts.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Insurance risk

The Company principally issues the following types of general insurance contracts: health, motor and commercial. The Company also issues life insurance contracts.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims payments exceed the carrying amount of insurance contract liabilities. This is influenced by the frequency of claims, severity of claims, and the timing of claims paid.

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

The reinsurance arrangements include surplus, quota share and excess of loss varying by product line.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

General insurance

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For health contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption insurance by industry.

The table below sets out the concentration of insurance contract liabilities by HKFRS 17 portfolio.

	2025 HK\$	2024 HK\$
Gross		
Motor	621,267,559	589,647,354
Accident and Health	297,791,226	278,133,869
Commercial	278,000,244	283,485,379
Total	<u>1,197,059,029</u>	<u>1,151,266,602</u>
Reinsurance		
Motor	(30,126,523)	(32,063,266)
Accident and Health	(5,371,343)	(18,327,987)
Commercial	(58,502,529)	(54,928,867)
Total	<u>(94,000,395)</u>	<u>(105,320,120)</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Insurance risk (continued)

Insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Key assumptions

The measurement process for insurance contract claims liabilities primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. The principal assumption underlying the estimates is that future claims development can be predicted from the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers of each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other assumptions include variation in change in claim patterns and insurance risk factors.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as potential future legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liability for incurred claims, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

31 December 2025

			Profit or loss		Equity
			Net of		Net of
	Change in	Gross	Reinsurance	Gross	Reinsurance
	Assumptions	HK\$	held	HK\$	held
			HK\$		HK\$
IELR	+10%	96,389,105	90,396,652	80,484,902	75,481,204
	-10%	(96,250,951)	(89,920,304)	(80,369,544)	(75,083,454)
Emergence pattern	+5%	37,662,805	35,673,539	31,448,442	29,787,405
	-5%	(37,665,144)	(35,675,761)	(31,450,395)	(29,789,260)
Risk adjustment	+5%	40,173,049	36,079,304	33,544,496	30,126,219
	-5%	(36,907,686)	(33,569,940)	(30,817,918)	(28,030,900)
Discount rate ¹	+20%	(8,518,026)	(7,759,284)	(7,112,552)	(6,479,002)
	-20%	8,687,043	7,914,810	7,253,681	6,608,866

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Insurance risk (continued)*Sensitivities* (continued)

31 December 2024

(Restated)	Change in Assumptions	Gross HK\$	Profit or loss		Equity	
			Net of Reinsurance held HK\$	Gross HK\$	Net of Reinsurance held HK\$	Gross HK\$
IELR	+10%	37,640,593	33,265,738	31,429,896	27,776,891	
	-10%	(37,591,190)	(33,258,750)	(31,388,644)	(27,771,056)	
Emergence pattern	+5%	48,807,206	47,971,824	40,754,017	40,056,473	
	-5%	(48,807,206)	(47,971,824)	(40,754,017)	(40,056,473)	
Risk adjustment	+5%	38,781,429	33,813,461	32,382,483	28,234,240	
	-5%	(37,080,992)	(32,378,088)	(30,962,628)	(27,035,703)	
Discount rate ¹	+20%	(11,748,620)	(10,465,057)	(9,810,265)	(8,738,323)	
	-20%	12,071,456	10,757,058	10,079,666	8,982,143	

¹ Discount rate sensitivity scenario is performed on multiplicative term.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Insurance risk (continued)

Loss development triangle on general insurance contracts

The following tables present historical information on the development of claims for accident years from 2020 to present, with cumulative payments to date. Information is presented net of reinsurance.

Accident year	2020 and prior HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000	Total HK\$'000
Accident year	943,621	670,011	816,137	772,153	928,559	959,904	950,086	
One year later	932,596	651,900	807,911	757,161	894,052	922,414	-	
Two years later	927,949	639,136	804,654	738,734	886,898	-	-	
Three years later	915,721	617,659	778,107	729,517	-	-	-	
Four years later	905,221	604,175	770,547	-	-	-	-	
Five years later	893,506	599,592	-	-	-	-	-	
Six years later	886,595	-	-	-	-	-	-	
Current estimate of cumulative loss	886,595	599,592	770,547	729,517	886,898	922,414	950,086	5,745,649
Accident year	(579,619)	(420,869)	(528,523)	(489,520)	(582,254)	(577,440)	(597,502)	
One year later	(725,146)	(526,415)	(661,440)	(625,806)	(728,252)	(735,338)	-	
Two years later	(779,142)	(551,673)	(698,762)	(655,545)	(772,747)	-	-	
Three years later	(822,961)	(572,738)	(723,135)	(680,504)	-	-	-	
Four years later	(851,156)	(581,223)	(741,413)	-	-	-	-	
Five years later	(868,408)	(591,236)	-	-	-	-	-	
Six years later	(872,452)	-	-	-	-	-	-	
Cumulative payments to date	(872,452)	(591,236)	(741,413)	(680,504)	(772,747)	(735,338)	(597,502)	(4,991,192)
Net liability recognised in statement of financial position	14,143	8,356	29,134	49,013	114,151	187,076	352,584	754,457
Provision for claims handling expense								20,322
Risk adjustment								44,416
Discounting								(38,877)
Reinsurance recoverable								(24,795)
Net liability for incurred claims as per statement of financial position								755,523

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Insurance risk (continued)

Life insurance contracts

The Company mainly underwrites group term life insurance contracts and has a small portfolio of individual term life insurance contracts. The term life insurance contracts are short to long term duration, i.e. annual renewable to multiple years. Term life insurance contracts are conventional regular premium products under which lump sum benefits are payable on death with no surrender values.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting guidelines and limits are in place to enforce appropriate risk selection criteria.

The significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The tables below set out the concentration of insurance risks, in terms of insurance contract liabilities.

	2025 HK\$	2024 HK\$
Gross		
Group	25,731,542	37,542,582
Individual	6,387,498	5,644,197
Total	<u>32,119,040</u>	<u>43,186,779</u>
Reinsurance		
Group	(5,132,425)	(7,464,288)
Individual	(3,275,763)	(2,807,144)
Total	<u>(8,408,188)</u>	<u>(10,271,432)</u>

The Company performed sensitivity analysis on the Life businesses. There is no significant impact to the Company results and insurance contract liabilities derived from the change in assumptions, such as discount rate and risk adjustments. Therefore no separate disclosure is made.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(3) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Each financial asset is monitored on an ongoing basis via the Company's management reporting procedures.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position as of the reporting date.

The following table provides information regarding the credit risk exposure of the Company at 31 December 2025 and 2024 by classifying assets according to the Company's categorisation of counterparties by the Standards & Poor's, Fitch's, Moody's and A.M. Best's credit ratings.

31 December 2025

	AAA	AA	A	BBB or below	Not rated	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investments at FVTPL	-	1,323,708,469	247,520,702	173,782,878	-	1,745,012,049
Non-pledged time deposits with original maturity over 3 months	-	323,735,289	-	-	-	323,735,289
Reinsurance contract assets	-	57,549,289	45,027,461	-	-	102,576,750
Cash and cash equivalents	-	116,927,411	99,682,375	-	-	216,609,786
Intercompany balances	-	-	-	-	423,586	423,586
Financial assets included in the Prepayments, deposits, and other receivables	-	-	-	-	67,692,000	67,692,000
Total	-	1,821,920,458	392,230,538	173,782,878	68,115,586	2,456,049,460

31 December 2024

	AAA	AA	A	BBB or below	Not rated	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investments at FVTPL	2,325,527	1,278,453,049	152,378,324	150,363,537	-	1,583,520,437
Non-pledged time deposits with original maturity over 3 months	-	296,113,701	-	-	-	296,113,701
Reinsurance contract assets	-	60,164,920	68,721,742	-	(13,295,110)	115,591,552
Cash and cash equivalents	-	147,379,811	105,875,118	-	-	253,254,929
Intercompany balances	-	-	-	-	1,216,893	1,216,893
Financial assets included in the Prepayments, deposits, and other receivables	-	-	-	-	52,537,146	52,537,146
Total	2,325,527	1,782,111,481	326,975,184	150,363,537	40,458,929	2,302,234,658

The Company's maximum exposure to credit risk on insurance contract assets is HK\$42,706,220 (2024: HK\$57,269,591).

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(3) Credit risk (continued)

Financial assets that are neither past due nor impaired

Cash and cash equivalents, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(4) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risks confronting the Company are the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of debt securities and claims arising from insurance contracts, which vary by type of insurance coverage. Generally, health insurance claims have a shorter duration and life insurance business have a longer duration. Although actual duration of claims may differ, in assessing liquidity risk the Company estimates the reserve duration of Medical and Motor, being the major underwriting business of the company, to be 3 and 18 months, respectively.

The liquidity risk represented by the occurrence of a major insurance loss is mitigated by the Company's ability to make cash calls under the terms of its reinsurance arrangements, and by its ability to obtain funding support from group companies.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(4) Liquidity risk (continued)

The maturity profile of the Company's liabilities as at the end of the reporting period, is as follows:

2025	Within 1 year HK\$	1-2 years HK\$	2-3 years HK\$	3-4 years HK\$	4-5 years HK\$	over 5 years HK\$	Total HK\$
Insurance contract liabilities, discounted	433,947,373	(14,030,602)	576,409,965	121,824,532	61,056,707	49,970,094	1,229,178,069
Reinsurance contract liabilities, discounted	-	-	168,167	-	-	-	168,167
Other payables and accruals	116,434,076	-	-	-	-	-	116,434,076
Due to an intermediate holding company	3,347,909	-	-	-	-	-	3,347,909
Due to fellow subsidiaries	163,454	-	-	-	-	-	163,454
Lease liabilities	6,702,107	6,887,841	9,346,315	7,263,987	-	-	30,200,250
	<u>560,594,919</u>	<u>(7,142,761)</u>	<u>585,924,447</u>	<u>129,088,519</u>	<u>61,056,707</u>	<u>49,970,094</u>	<u>1,379,491,925</u>
2024	Within 1 year HK\$	1-2 years HK\$	2-3 years HK\$	3-4 years HK\$	4-5 years HK\$	over 5 years HK\$	Total HK\$
Insurance contract liabilities, discounted	1,201,021,199	(399,273,289)	173,220,416	107,353,801	59,634,493	52,496,761	1,194,453,381
Other payables and accruals	100,820,775	-	-	-	-	-	100,820,775
Due to an intermediate holding company	5,277,359	-	-	-	-	-	5,277,359
Due to fellow subsidiaries	306,537	-	-	-	-	-	306,537
Lease liabilities	5,966,523	14,216,225	13,073,893	-	-	-	33,256,641
	<u>1,313,392,393</u>	<u>(385,057,064)</u>	<u>186,294,309</u>	<u>107,353,801</u>	<u>59,634,493</u>	<u>52,496,761</u>	<u>1,334,114,693</u>

Current financial assets and liabilities are expected to be recovered or paid within 12 months from the end of the reporting period.

The amounts of insurance contract liabilities that are payable on demand are set out below:

	2025 Payable on demand HK\$	2025 Carrying amount HK\$	2024 Payable on demand HK\$	2024 Carrying amount HK\$
Term life contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(5) Currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Hong Kong dollars and its exposure to foreign exchange risk arises primarily from some financial assets denominated in United States dollars. The Hong Kong dollar is pegged to the United States dollar. The management believes that this peg will continue in the near future and the impact of currency risk on the Company is minimal. Nevertheless, the management will monitor the situation closely and take appropriate actions when necessary.

The table below summarises the Company's exposure to foreign currency exchange rate risks at year end by categorising assets and liabilities by major currencies. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

The Company has no significant concentration of currency risk.

	Hong Kong Dollars HK\$	2025 United States Dollars HK\$	Total HK\$
Investments at FVTPL	1,267,212,582	477,799,467	1,745,012,049
Non-pledged time deposits with original maturity over 3 months	212,820,414	110,914,875	323,735,289
Cash and cash equivalents	176,957,350	39,652,436	216,609,786
Inter-company receivables	423,586	-	423,586
Deposits and other receivables	58,229,278	9,462,722	67,692,000
Inter-company payables	-	(3,511,363)	(3,511,363)
Other payables and accruals	(116,434,076)	-	(116,434,076)
	<u>1,599,209,134</u>	<u>634,318,137</u>	<u>2,233,527,271</u>

	Hong Kong Dollars HK\$	2024 United States Dollars HK\$	Total HK\$
Investments at FVTPL	1,191,210,163	392,310,274	1,583,520,437
Non-pledged time deposits with original maturity over 3 months	185,420,414	110,693,287	296,113,701
Cash and cash equivalents	231,051,576	22,203,353	253,254,929
Inter-company receivables	1,108,003	108,890	1,216,893
Deposits and other receivables	46,783,078	5,754,068	52,537,146
Inter-company payables	(142,518)	(5,441,378)	(5,583,896)
Other payables and accruals	(100,820,775)	-	(100,820,775)
	<u>1,554,609,941</u>	<u>525,628,494</u>	<u>2,080,238,435</u>

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(6) Interest rate risk

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

The Company has proper investment guidelines in place and is regularly monitored by the holding company to ensure that its exposure to interest rate risk is minimal. The Company invests in companies and financial institutions with sound financial track records. The Company has an investment manager to monitor actively the performance of the Company's investment portfolios on an ongoing basis.

Sensitivity Analysis

As at 31 December 2025, if interest rates at that date had been 500 basis points lower with all other variables held constant, the Company's profit for the year and retained earnings would have been increased by HK\$43,101,798 (2024: HK\$53,206,287).

As at 31 December 2025, if interest rates at that date had been 500 basis points higher with all other variables held constant, the Company profit for the year and retained earnings would have been decreased by HK\$60,551,918 (2024: HK\$69,041,491).

(7) Capital management

The IA introduced the Risk-based Capital ("RBC") regime for the Hong Kong insurance industry on 1 July 2024. The RBC regime adopts a three-pillar framework and an assessment approach which is sensitive to an insurer's asset and liability matching, risk appetite and mix of products.

The Company manages as capital its equity as disclosed in the Statement of Financial Position and its regulatory capital calculated from time to time. The primary objective of the Company's capital management is to ensure that it meets the capital requirements as defined in the Ordinance and maintains a strong credit rating and healthy capital ratio in order to support its business. The Ordinance requires the Company to maintain a prescribed level of capital adequacy and value assets and liabilities in accordance with the Insurance (Valuation and Capital) Rules (Cap 41R) (Valuation and Capital Rules"). The Company is required to prepare RBC returns and submit to the IA quarterly and the annual regulatory returns will be audited.

The Company manages its capital structure and makes adjustments to it, in light of its overall capital management objectives and of changes in the capital requirement. To maintain or adjust the capital structure, the Company may request additional funding from or return funds to its head office. No changes were made in the capital structure during the year ended 31 December 2025.

LIBERTY INTERNATIONAL INSURANCE LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. EVENT AFTER REPORTING DATE

On 1 April 2026, the Company completed the integration with LSMHK where the general insurance business, including the assets and liabilities, carried on by LSMHK were transferred to the Company (the "Portfolio Transfer") based on the Transfer Agreement dated 31 March 2026. The integration involves the continuation of the business of LSMHK in the Company and has been undertaken to streamline operations and realise operational synergies. This was a Portfolio Transfer for entities under common control as the Company and LSMHK are both controlled by Liberty UK and Europe Holdings Limited, the intermediate holding company of the Company and the immediate holding company of LSMHK. They are under common control since LSMHK was incorporated on 8 July 2016 (formerly known as Liberty International Underwriters Limited). The total consideration has been settled in the form of shares of the Company, where the Company has issued additional shares to facilitate the Portfolio transfer. The consideration is the net assets value of LSMHK determined on a risk-based capital basis. Any difference between the consideration paid and the carrying amounts of net assets acquired has been accounted in equity as merger reserve upon the Portfolio Transfer. As the Portfolio Transfer was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the transfer.

25. COMPARATIVE AMOUNTS

During the current year, management assessed the presentation of certain items in the financial statements. Accordingly, comparative figures of amount for Note 20(2) have been restated to conform to the current year's presentation. There is neither any effect on the total comprehensive income for the year in the comparative statement of other comprehensive income nor the net assets in the comparative statement of financial position.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 April 2026.