

Report of the Directors and Audited Financial Statements

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

31 December 2025

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

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PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

REPORT OF THE DIRECTORS

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

Principal activities

The Company's principal activities have not changed during the year and has been acting as a service provider in relation to provident fund activities.

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 54.

An interim dividend of HK\$150 million (2024: HK\$125 million) was paid during the year ended 31 December 2025.

Property, plant and equipment

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

Share capital, restricted stock units and employee stock purchase plan

Details of movements in the Company's share capital, restricted stock units and employee stock purchase plan during the year are set out in note 19 to the financial statements.

Directors

The directors of the Company during the year were:

Wong Yuk Ying
John Michael Egan
Julian Christopher Vivian Pull (resigned on 31 December 2025)
Li Wing Kuen
Lau Martin Kin Yeung

After the end of the reporting period, on 13 February 2026, Ms. Tess Yeung-min Downey was appointed as director of the Company.

There being no rotational retirement provision in the Company's articles of association to the contrary, all the remaining directors continue in office.

Directors' interests

At no time during the year was there any loan advanced to or obligation assumed by or for a director of the Company.

Pursuant to the Stock Incentive Plan of the Company's ultimate holding company, certain directors and employees of the Company have been granted restricted stock units of the ultimate holding company.

Further details of the Stock Incentive Plan of the Company's ultimate holding company are set out in note 19 to the financial statements.

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

REPORT OF THE DIRECTORS (continued)

Directors' interests (continued)

Save as disclosed above, 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 Company's directors 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' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors

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

ON BEHALF OF THE BOARD



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Lau Martin Kin Yeung
Director

Hong Kong
24 April 2026

Independent auditor's report**To the member of Principal Insurance Company (Hong Kong) Limited**

美國信安保險有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Principal Insurance Company (Hong Kong) Limited (the "Company") set out on pages 6 to 54 which comprise 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") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Independent auditor's report (continued)
To the member of Principal Insurance Company (Hong Kong) Limited
美國信安保險有限公司
(Incorporated in Hong Kong with limited liability)

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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)

To the member of Principal Insurance Company (Hong Kong) Limited

美國信安保險有限公司

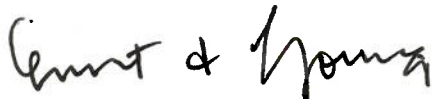
(Incorporated in Hong Kong with limited liability)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is WONG, Sui Yan (practising certificate number: P06306).



Certified Public Accountants
Hong Kong
24 April 2026

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
Revenue	4	109,952,691	97,824,907
Investment income, net gains and other income	4	186,621,946	259,190,016
Net revenue		<u>296,574,637</u>	<u>357,014,923</u>
OPERATING EXPENSES			
Employee benefit expense		(47,113,804)	(60,911,352)
Advertising and promotional expenses		501,720	(466,410)
Investment management costs		(454,698)	(7,656,814)
Management fees payable to intermediate holding companies and fellow subsidiaries	21(a)	(65,921,571)	(72,502,706)
Finance cost	6, 11(b), 11(c)	(743,056)	(1,415,600)
Other operating expenses		(36,765,280)	(240,385,310)
Total operating expenses		<u>(150,496,689)</u>	<u>(383,338,192)</u>
Fair value gains on embedded derivatives		-	173,954,190
Change in investment contract liabilities	17	(90,651,777)	(77,039,459)
		<u>(90,651,777)</u>	<u>96,914,731</u>
PROFIT BEFORE TAX	5	55,426,171	70,591,462
Income tax expense	8	-	(68,219,281)
PROFIT FOR THE YEAR		55,426,171	2,372,181
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>55,426,171</u>	<u>2,372,181</u>

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 HK\$	2024 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,549,932	8,386,911
Right-of-use assets	11(a)	1,851,230	27,980,806
Financial assets at fair value through profit or loss	12	62,597,901	748,557,056
Prepayments, deposits and other receivables	15	99,120	3,492,135
Total non-current assets		<u>67,098,183</u>	<u>788,416,908</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	12	1,108,559,251	1,052,577,553
Derivative financial instruments	13	184,592	-
Due from immediate holding company	22(d)	596,603	-
Due from fellow subsidiaries	22(d)	29,626,177	40,588,765
Investment contract receivables		12,816,719	11,302,358
Prepayments, deposits and other receivables	15	19,459,794	23,477,260
Cash and cash equivalents	16	222,059,348	297,105,693
Total current assets		<u>1,393,302,484</u>	<u>1,425,051,629</u>
CURRENT LIABILITIES			
Due to ultimate holding company	22(d)	376,428	303,987
Due to intermediate holding companies	22(d)	3,968,999	5,376,015
Due to immediate holding company	22(d)	-	1,484,238
Due to fellow subsidiaries	22(d)	4,301,015	86,522,864
Derivative financial instruments	13	1,263,986	1,643,481
Investment contract liabilities	17	768,607,434	1,287,268,005
Other payables and accruals	18	150,584,600	23,599,715
Lease liabilities	11(b)	1,799,813	15,379,245
Total current liabilities		<u>930,902,275</u>	<u>1,421,577,550</u>
NET CURRENT ASSETS		<u>462,400,209</u>	<u>3,474,079</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>529,498,392</u>	<u>791,890,987</u>

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF FINANCIAL POSITION (continued)

31 December 2025

	Notes	2025 HK\$	2024 HK\$
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	-	12,998,824
Total non-current liabilities		-	12,998,824
Net assets		529,498,392	778,892,163
EQUITY			
Share capital	19	200,000,000	355,000,000
Share option reserve		3,442,181	3,442,181
Restricted stock unit reserve		8,817,116	8,817,116
Performance share award reserve		365,327	365,327
Employee stock purchase plan reserve		721,800	541,742
Required insurance surplus		2,000,000	2,000,000
Retained profits		314,151,968	408,725,797
Total equity		529,498,392	778,892,163



Lau Martin Kin Yeung
Director



Tess Yeung-min Downey
Director

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Notes	Share capital HK\$	Share option reserve HK\$	Restricted stock unit reserve HK\$	Performance share award reserve HK\$	Employee stock purchase plan reserve HK\$	Other reserve HK\$	Required insurance surplus HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2024		355,000,000	3,442,181	8,817,116	365,327	203,487	471,940,690	2,000,000	59,412,926	901,181,727
Profit and total comprehensive income for the year		-	-	-	-	-	-	-	2,372,181	2,372,181
Release of reserve*		-	-	-	-	-	(471,940,690)	-	471,940,690	-
Interim dividends	9	-	-	-	-	-	-	-	(125,000,000)	(125,000,000)
Equity-settled employee stock purchase plan expense	5	-	-	-	-	338,255	-	-	-	338,255
Balance at 31 December 2024 and 1 January 2025		355,000,000	3,442,181	8,817,116	365,327	541,742	-	2,000,000	408,725,797	778,892,163
Profit and total comprehensive income for the year		-	-	-	-	-	-	-	55,426,171	55,426,171
Capital reduction	19	(155,000,000)	-	-	-	-	-	-	-	(155,000,000)
Interim dividends	9	-	-	-	-	-	-	-	(150,000,000)	(150,000,000)
Equity-settled employee stock purchase plan expense	5	-	-	-	-	180,058	-	-	-	180,058
Balance at 31 December 2025		200,000,000	3,442,181	8,817,116	365,327	721,800	-	2,000,000	314,151,968	529,498,392

* At the time of AXA acquisition in 2015, the assets that were transferred to the Company were more than the investment contract liabilities for AXA ORSO Deposit Administration Investment Management Policy to compensate for the required amount to be held in excess of the liabilities in accordance with Guideline on the Reserve Provision for Class G of Long Term Business ("GL7") issued by the Insurance Authority. Such capital requirement of assets held over liabilities of HK\$471.9 million were accounted for as equity reserve. During the year ended 31 December 2024, management has assessed that such GL7 reserve was not required under HKFRS and thus it was released to retained earnings.

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		55,426,171	70,591,462
Adjustments for:			
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		(71,561,206)	(19,405,632)
Derivative financial instruments – options embedded in investment contracts		15,250,828	(173,954,190)
Interest income	4	(46,740,471)	(82,879,437)
Dividend income	4	-	(5,688,548)
Depreciation of property, plant and equipment	10	5,849,035	7,390,093
Depreciation of right-of-use assets	11(a)	15,105,061	16,875,408
Finance cost	6, 11(b), 11(c)	743,056	1,415,600
Loss on disposal of items of property, plant and equipment	5	-	370,571
Gain on transfer of lease	4, 11(c)	-	(325,975)
Loss on termination of lease	5, 11(c)	1,307,148	-
Equity-settled employee stock purchase plan expense	5	180,058	338,255
		(24,440,320)	(185,272,393)
Purchases of financial assets		(1,331,884,470)	(1,872,805,705)
Proceeds from disposal of financial assets		2,033,423,133	3,081,678,466
(Increase)/decrease in derivative financial instruments		(15,814,915)	3,216,177
Increase in amount due from immediate holding company		(596,603)	-
Decrease/(increase) in amounts due from fellow subsidiaries		10,962,588	(40,431,490)
Increase in investment contract receivables		(1,514,361)	(1,325,067)
Decrease in prepayments, deposits and other receivables		1,574,062	691,981
Increase/(decrease) in amount due to ultimate holding company		72,441	(1,230,911)
Decrease in amounts due to intermediate holding companies		(1,407,016)	(1,411,606)
(Decrease)/increase in amount due to immediate holding company		(1,484,238)	1,453,153
(Decrease)/increase in amounts due to fellow subsidiaries		(82,221,849)	21,213,856
Change in investment contract liabilities		(518,660,571)	(1,089,213,936)
Increase/(decrease) in other payables and accruals		126,984,885	(12,261,032)
Cash generated from/(used in) operations		194,992,766	(95,698,507)
Interest received		52,576,890	99,690,817
Interest element on lease liabilities	11(b)	(743,056)	(1,415,600)
Dividend received		-	5,688,548
Net cash flows from operating activities		246,826,600	8,265,258

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2025

	Notes	2025 HK\$	2024 HK\$
CASH FLOWS FROM INVESTING ACTIVITY			
Net cash flows used in purchase of items of property, plant and equipment	10	(12,056)	(6,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(150,000,000)	(125,000,000)
Principal portion of lease payments		(16,860,889)	(16,416,948)
Capital reduction	19	(155,000,000)	-
Net cash flows used in financing activities		(321,860,889)	(141,416,948)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(75,046,345)	(133,158,289)
Cash and cash equivalents at beginning of year		<u>297,105,693</u>	<u>430,263,982</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u><u>222,059,348</u></u>	<u><u>297,105,693</u></u>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE INFORMATION

Principal Insurance Company (Hong Kong) Limited (the "Company") was incorporated in Hong Kong as a company with limited liability in accordance with the Hong Kong Companies Ordinance on 11 July 1996. The registered office of the Company is located at 30/F Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

The Company's principal activities have not changed during the year and has been acting as a service provider in relation to provident fund activities.

The Company is a wholly-owned subsidiary of Principal International (Asia) Limited, a company incorporated in Hong Kong. In the opinion of the directors, the ultimate holding company of the Company is Principal Financial Group, Inc., which was incorporated in the United States of America.

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) as issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") which is also the Company's functional currency.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has not adopted amendments to HKAS 21 *Lack of Exchangeability*, which is not applicable to the Company in the current year's financial statements. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Company has not early applied any of the new and amended HKFRS Accounting Standards, that have been issued but are not yet effective for the accounting year ended 31 December 2025 in these financial statements. Among these new and amended HKFRS Accounting Standards, the following are expected to be relevant to the Company's financial statements upon becoming effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards - Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

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 HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; and (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

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

Annual Improvements to HKFRS Accounting Standards - Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Company are as follows:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

2.5 MATERIAL ACCOUNTING POLICIES

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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 group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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 property, 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 the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over lease terms
Furniture and fixtures	20%
Hardware	25%-33⅓%
Software	25%-33⅓%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, 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 the 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Premises	2-3 years
Other equipment	3-5 years

If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease 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 incentives receivable, 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 termination of 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 an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is 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 recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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. With the exception of investment contract receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Investment contract receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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.

General approach

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investment at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for investment contract receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

For investment contract receivables and contract assets that contain a significant financing component and lease receivables, the Company chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 other payables, accruals, amounts due to group companies, investment contract liabilities, derivative financial instruments and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other payable and accruals and borrowings)

After initial recognition, other payables and accruals, and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal 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 liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

The Company measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Product classification

The Company issues contracts that transfer financial risk.

Investment contracts are defined as those contracts that transfer financial risk with no significant insurance risk at the inception of the contract. Deposits collected and benefits payments are not accounted for in profit or loss, but are accounted for directly in the statement of financial position as a movement in the liabilities.

Investment contract liabilities

Investment contract liabilities comprise the following components:

- (i) Class G liabilities are equal to the sum of account balances; and
- (ii) Class H liabilities are equal to the sum of policyholders' fund balances.

Contracts that have the legal form of insurance but do not expose the insurer to significant insurance risk would be classified as investment contracts under HKFRS 17. The investment contract liabilities arising from these contracts create financial liabilities which are accounted for under HKFRS 9.

Required insurance surplus

Required insurance surplus represents the required excess of assets over the amount of liabilities attributable to the long term business determined by year end actuarial valuations prepared by the appointed actuary of the Company in accordance with the provisions of the Insurance Ordinance (Margin of Solvency) Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

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 Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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 authorities, 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. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (a) Pension management fee, the performance obligation is satisfied over time as services are rendered. Revenue from services are recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company.
- (b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (c) Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as liability when they are proposed and declared.

Investment contract receivables

Investment contract receivables are recognised when due and measured at amortised cost, using the effective interest rate method. The carrying value of investment contract receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Share-based payments

The Company's ultimate holding company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants including certain employees and directors of the Company.

Where restricted stock units, employee stock purchase plan and share options are awarded to employees, the fair value of the units and options at the date of grant is charged to profit or loss over the vesting period, with a corresponding increase in equity as a contribution from the holding company. At the end of each reporting period, the Company revises its estimates of the number of units and options that are expected to be vested. The impact of the revision of original estimates is recognised in profit or loss and a corresponding adjustment is made to the contribution from the holding company over the remaining vesting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Other 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 at the end of reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible and have elected to participate in the MPF Scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. In addition to mandatory contributions, which are fully vested once contributed into the MPF Scheme, the Company also makes voluntary contributions for certain eligible employees and the employees' entitlement to such voluntary contributions is subject to vesting. When an employee leaves employment prior to full vesting, the unvested portion of the voluntary contributions, subject to the rules of the MPF Scheme, will become forfeited contributions and be refunded to the Company.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements:

Management fee income and expenses

The Company shares the expenses with its fellow subsidiaries and holding companies based on their utilisation of general office support and services rendered for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on deferred taxes are disclosed in note 14 to the financial statements.

Estimation uncertainty

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

Provision for expected credit losses on investment contract receivables

The Company makes its estimates on the probability of default based on that of comparable companies, the ageing of its investment contract receivable balances, counterparties' credit-worthiness, and historical write-off experience. If the financial condition of its counterparties was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future results would be affected.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. REVENUE, INVESTMENT INCOME, NET GAINS AND OTHER INCOME

Revenue, which is also the Company's turnover, represents pension management fee in respect of pension business.

An analysis of revenue, investment income, net gains and other income is as follows:

	Notes	2025 HK\$	2024 HK\$
<u>Revenue</u>			
Pension management fee		<u>109,952,691</u>	<u>97,824,907</u>
<u>Investment income</u>			
Interest income from financial assets at fair value through profit or loss		43,745,462	71,655,936
Bank interest income		<u>2,995,009</u>	<u>11,223,501</u>
		46,740,471	82,879,437
Dividend income from financial assets at fair value through profit or loss		-	5,688,548
		<u>46,740,471</u>	<u>88,567,985</u>
<u>Net gains</u>			
Realised gains/(losses), net:			
Financial assets at fair value through profit or loss		37,062,334	(160,253,257)
Unrealised gains, net:			
Financial assets at fair value through profit or loss		34,498,872	179,658,889
Fair value losses, net:			
Derivative financial instruments	13	(15,250,828)	(7,701,580)
Foreign exchange gains/(losses), net		<u>594,722</u>	<u>(927,777)</u>
Total gains, net		<u>56,905,100</u>	<u>10,776,275</u>
<u>Other income</u>			
Management fee	22(a)	82,914,336	157,095,000
Gain on transfer of lease	11(c)	-	325,975
Others		<u>62,039</u>	<u>2,424,781</u>
		<u>82,976,375</u>	<u>159,845,756</u>
Total		<u>186,621,946</u>	<u>259,190,016</u>

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED
美國信安保險有限公司

NOTES TO FINANCIAL STATEMENTS

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5. PROFIT BEFORE TAX

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

	Notes	2025 HK\$	2024 HK\$
Depreciation of property, plant and equipment	10	5,849,035	7,390,093
Depreciation of right-of-use assets	11(c)	15,105,061	16,875,408
Lease payments not included in the measurement of lease liabilities	11(c)	-	1,575,524
Employee benefit expense (excluding director's remuneration (note 7)):			
Salaries and other allowances		47,412,663	56,434,441
Pension contributions		(1,129,173)	3,481,989
Cash-settled restricted stock unit expense	22(b)	150,256	156,667
Equity-settled employee stock purchase plan expense	22(c)	180,058	338,255
		<u>46,613,804</u>	<u>60,411,352</u>
Auditor's remuneration		1,678,821	2,331,580
Loss on disposal of items of property, plant and equipment		-	370,571
Loss on termination of lease	11(c)	1,307,148	-
Management fees charged by intermediate holding companies	22(a)	16,100,671	22,722,539
Management fees charged by immediate holding companies	22(a)	625,269	-
Management fees charged by fellow subsidiaries	22(a)	<u>49,195,631</u>	<u>49,780,167</u>

6. FINANCE COST

	Notes	2025 HK\$	2024 HK\$
Interest on lease liabilities	11(b), 11(c)	<u>743,056</u>	<u>1,415,600</u>

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7. DIRECTORS' REMUNERATION

Directors' remuneration 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:

	2025 HK\$	2024 HK\$
Fees	<u>500,000</u>	<u>500,000</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company's estimated assessable profit was wholly absorbed by the tax losses brought forward from previous years.

	2025 HK\$	2024 HK\$
Deferred tax	<u>-</u>	<u>68,219,281</u>
	<u>-</u>	<u>68,219,281</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to tax expense at the effective tax rate is as follows:

	2025 HK\$	%	2024 HK\$	%
Profit before tax	<u>55,426,171</u>		<u>70,591,462</u>	
Tax at the statutory tax rate	9,145,318	16.5	11,647,591	16.5
Income not subject to tax	(9,113,677)	(16.5)	(49,046,691)	(69.5)
Expenses not deductible for tax	2,529,240	4.6	47,635,976	67.5
Derecognition of previously recognised temporary differences	-	-	68,219,281	96.6
Utilization of tax loss	(3,366,510)	(6.1)	(11,139,524)	(15.8)
Temporary difference not recognised	<u>805,629</u>	<u>1.5</u>	<u>902,648</u>	<u>1.3</u>
Tax expense at effective rate	<u>-</u>	<u>-</u>	<u>68,219,281</u>	<u>96.6</u>

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8. INCOME TAX (continued)

Hong Kong enacted legislation implementing the OECD BEPS 2.0 Pillar Two rules, including the Income Inclusion Rule (IIR) and the Hong Kong Minimum Top Up Tax (HKMTT), for fiscal years beginning on or after 1 January 2025. Under the Hong Kong regime, all Hong Kong constituent entities of an in scope multinational enterprise (MNE) group may be subject to HKMTT irrespective of their ownership level. The ultimate holding company of the Company, Principal Financial Group, Inc. ("Group"), meets the consolidated revenue threshold of €750m or more and is therefore considered an in scope MNE for Pillar Two purposes. The Group determines the Hong Kong jurisdictional top up tax on a combined basis and allocates the related tax to Principal Asset Management Company (Asia) Limited, a fellow subsidiary of the Company. Accordingly, no minimum top up tax has been recognised by the Company for the year.

9. DIVIDEND

	2025 HK\$	2024 HK\$
Interim – HK\$6.52 (2024: HK\$5.43) per ordinary share	<u>150,000,000</u>	<u>125,000,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Hardware HK\$	Software HK\$	Office equipment HK\$	Total HK\$
31 December 2025						
At 1 January 2025						
Cost	17,688,709	2,108,586	55,354,875	4,365,717	6,624,065	86,141,952
Accumulated depreciation	(16,057,283)	(2,104,125)	(48,713,748)	(4,265,000)	(6,614,885)	(77,755,041)
Net carrying amount	<u>1,631,426</u>	<u>4,461</u>	<u>6,641,127</u>	<u>100,717</u>	<u>9,180</u>	<u>8,386,911</u>
At 1 January 2025, net of accumulated depreciation	1,631,426	4,461	6,641,127	100,717	9,180	8,386,911
Additions	-	-	12,056	-	-	12,056
Depreciation	(815,713)	(4,461)	(4,946,926)	(79,558)	(2,377)	(5,849,035)
At 31 December 2025, net of accumulated depreciation	<u>815,713</u>	<u>-</u>	<u>1,706,257</u>	<u>21,159</u>	<u>6,803</u>	<u>2,549,932</u>
At 31 December 2025						
Cost	16,904,419	1,267,785	54,243,831	4,365,717	6,319,771	83,101,523
Accumulated depreciation	(16,088,706)	(1,267,785)	(52,537,574)	(4,344,558)	(6,312,968)	(80,551,591)
Net carrying amount	<u>815,713</u>	<u>-</u>	<u>1,706,257</u>	<u>21,159</u>	<u>6,803</u>	<u>2,549,932</u>

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Hardware HK\$	Software HK\$	Office equipment HK\$	Total HK\$
31 December 2024						
At 1 January 2024						
Cost	18,707,096	2,108,586	55,878,036	4,365,717	6,617,466	87,676,901
Accumulated depreciation	(16,259,957)	(2,096,478)	(42,397,989)	(4,169,340)	(6,612,161)	(71,535,925)
Net carrying amount	<u>2,447,139</u>	<u>12,108</u>	<u>13,480,047</u>	<u>196,377</u>	<u>5,305</u>	<u>16,140,976</u>
At 1 January 2024, net of accumulated depreciation	2,447,139	12,108	13,480,047	196,377	5,305	16,140,976
Additions	-	-	-	-	6,599	6,599
Disposals	-	-	(370,571)	-	-	(370,571)
Depreciation	(815,713)	(7,647)	(6,468,349)	(95,660)	(2,724)	(7,390,093)
At 31 December 2024, net of accumulated depreciation	<u>1,631,426</u>	<u>4,461</u>	<u>6,641,127</u>	<u>100,717</u>	<u>9,180</u>	<u>8,386,911</u>
At 31 December 2024						
Cost	17,688,709	2,108,586	55,354,875	4,365,717	6,624,065	86,141,952
Accumulated depreciation	(16,057,283)	(2,104,125)	(48,713,748)	(4,265,000)	(6,614,885)	(77,755,041)
Net carrying amount	<u>1,631,426</u>	<u>4,461</u>	<u>6,641,127</u>	<u>100,717</u>	<u>9,180</u>	<u>8,386,911</u>

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11. LEASES

(a) Right-of-use assets

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

	Premises HK\$	Other equipment HK\$	Total HK\$
31 December 2025			
At 1 January 2025			
Cost	36,554,336	18,170,659	54,724,995
Accumulated depreciation	(12,150,932)	(14,593,257)	(26,744,189)
Net carrying amount	<u>24,403,404</u>	<u>3,577,402</u>	<u>27,980,806</u>
At 1 January 2025, net of accumulated depreciation	24,403,404	3,577,402	27,980,806
Additions	-	2,800,233	2,800,233
Lease termination	(13,824,748)	-	(13,824,748)
Depreciation	<u>(10,578,656)</u>	<u>(4,526,405)</u>	<u>(15,105,061)</u>
At 31 December 2025, net of accumulated depreciation	<u>-</u>	<u>1,851,230</u>	<u>1,851,230</u>
At 31 December 2025			
Cost	-	9,736,116	9,736,116
Accumulated depreciation	<u>-</u>	<u>(7,884,886)</u>	<u>(7,884,886)</u>
Net carrying amount	<u>-</u>	<u>1,851,230</u>	<u>1,851,230</u>

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11. LEASES (continued)

(a) Right-of-use assets (continued)

	Premises HK\$	Other equipment HK\$	Total HK\$
31 December 2024			
At 1 January 2024			
Cost	55,402,129	17,124,956	72,527,085
Accumulated depreciation	(55,351,482)	(12,574,271)	(67,925,753)
Net carrying amount	<u>50,647</u>	<u>4,550,685</u>	<u>4,601,332</u>
At 1 January 2024, net of accumulated depreciation	50,647	4,550,685	4,601,332
Additions	36,554,336	3,700,546	40,254,882
Depreciation	(12,201,579)	(4,673,829)	(16,875,408)
At 31 December 2024, net of accumulated depreciation	<u>24,403,404</u>	<u>3,577,402</u>	<u>27,980,806</u>
At 31 December 2024			
Cost	36,554,336	18,170,659	54,724,995
Accumulated depreciation	(12,150,932)	(14,593,257)	(26,744,189)
Net carrying amount	<u>24,403,404</u>	<u>3,577,402</u>	<u>27,980,806</u>

The Company obtains right to use various premises and other equipment 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 1 to 3 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. LEASES (continued)

(b) Lease liabilities

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

	Notes	2025 HK\$	2024 HK\$
Carrying amount at 1 January		28,378,069	4,866,110
Accretion of interest recognised during the year	6, 11(c)	743,056	1,415,600
Addition		2,800,233	39,928,907
Lease termination		(12,517,600)	-
Payments		(17,603,945)	(17,832,548)
Carrying amount at 31 December		<u>1,799,813</u>	<u>28,378,069</u>
Analysed into:			
Current portion		1,799,813	15,379,245
Non-current portion		<u>-</u>	<u>12,998,824</u>

The maturity analysis of lease liabilities is disclosed in note 24 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Notes	2025 HK\$	2024 HK\$
Interest on lease liabilities	6, 11(b)	743,056	1,415,600
Depreciation of right-of-use assets	11(a)	15,105,061	16,875,408
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December	5	-	1,575,524
Gain on transfer of lease	4	-	(325,975)
Loss on termination of lease	5	<u>1,307,148</u>	<u>-</u>
Total amount recognised in profit or loss		<u>17,155,265</u>	<u>19,540,557</u>

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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$	2024 HK\$
Club membership debenture	166,666	166,666
Unlisted unit trusts	254,403,488	279,501,398
Debt investments	916,586,998	1,521,466,545
Total	<u>1,171,157,152</u>	<u>1,801,134,609</u>
Analysed into:		
Current portion	1,108,559,251	1,052,577,553
Non-current portion	<u>62,597,901</u>	<u>748,557,056</u>

The above financial assets as at 31 December 2025 were classified as financial assets at fair value through profit or loss as the Company has not elected to recognise the fair value gain or loss through other comprehensive income.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2025 HK\$	2024 HK\$
Derivative financial assets		
Forward currency contracts	<u>184,592</u>	<u>-</u>
Derivative financial liabilities		
Forward currency contracts	<u>1,263,986</u>	<u>1,643,481</u>

The Company has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The fair value losses of non-hedging currency derivatives amounting to HK\$15,250,828 (2024: HK\$7,701,580) were charged to profit or loss during the year (note 4).

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14. DEFERRED TAX

The movements of deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

	Provision		Recognised losses available to offset against taxable profit		Total	
	2025 HK\$	2024 HK\$	2025 HK\$	2024 HK\$	2025 HK\$	2024 HK\$
At 1 January	-	252,853	-	69,213,393	-	69,466,246
Deferred tax expensed to profit or loss during the year	-	(252,853)	-	(69,213,393)	-	(69,466,246)
Deferred tax assets at 31 December	-	-	-	-	-	-

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	
	2025 HK\$	2024 HK\$
At 1 January	-	1,246,965
Deferred tax credited to profit or loss during the year	-	(1,246,965)
Deferred tax liabilities at 31 December	-	-
Deferred tax assets, net at 31 December	-	-

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15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$	2024 HK\$
Interest receivables	4,220,910	10,057,329
Deposits	3,223,096	3,223,096
Prepayments	5,539,664	6,762,306
Other receivables	6,575,244	6,926,664
	<u>19,558,914</u>	<u>26,969,395</u>
Less: Non-current prepayments and deposits	<u>99,120</u>	<u>3,492,135</u>
	<u>19,459,794</u>	<u>23,477,260</u>

The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

16. CASH AND CASH EQUIVALENTS

	2025 HK\$	2024 HK\$
Cash and bank balances	222,059,348	176,521,152
Non-pledged time deposits with original maturity of less than three months when acquired	<u>-</u>	<u>120,584,541</u>
Cash and cash equivalents	<u>222,059,348</u>	<u>297,105,693</u>

Cash at banks and time deposits earn interest based on bank deposit rates. Short term time deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Company, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with credit-worthy banks with no recent history of default.

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17. INVESTMENT CONTRACT LIABILITIES

Movements in investment contract liabilities under investment contracts are as follows:

	2025 HK\$	2024 HK\$
As at 1 January	1,287,268,005	2,376,481,941
Deposits	35,278,258	277,260,540
Withdrawal	(644,590,606)	(1,443,513,935)
Net investment return to customers	<u>90,651,777</u>	<u>77,039,459</u>
As at 31 December	<u>768,607,434</u>	<u>1,287,268,005</u>

18. OTHER PAYABLES AND ACCRUALS

	2025 HK\$	2024 HK\$
Employee expense payables	7,618,344	9,024,352
Class G and Class H funds' payables	132,795,637	347,971
Other payables	<u>10,170,619</u>	<u>14,227,392</u>
Total	<u>150,584,600</u>	<u>23,599,715</u>

Class G and Class H funds' payables mainly comprise redemption proceeds payable to unitholders and amounts payable to brokers. All payables are unsecured, non-interest bearing, and are expected to be settled within one year from the end of the reporting period, unless otherwise stated.

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19. SHARE CAPITAL

	2025 HK\$	2024 HK\$
Issued and fully paid:		
23,000,000 (2024: 23,000,000) ordinary shares	<u>200,000,000</u>	<u>355,000,000</u>

A summary of the movements in the Company's share capital is as follows:

	2025 HK\$	2024 HK\$
As at 1 January	355,000,000	355,000,000
Capital reduction (Note i)	(155,000,000)	-
As at 31 December	<u>200,000,000</u>	<u>355,000,000</u>

Note i:

On 11 March 2025, share capital reduced from HK\$355,000,000 to HK\$200,000,000. There will be no grounds on which the Company could be found to be unable to pay its debts and will be able to pay its debts as they become due during the period of 12 months immediately.

Restricted stock units

These are restricted stock units issued under the ultimate holding company's Stock Incentive Plan, granted to certain employees of the Company during the year. Restricted stock units are treated as an equity award. There is no maximum contractual term on these awards. Under these plans, awards have a graded or cliff vesting over a three-year service period. When the employees' services with the company cease (except in the case of specific types of terminations), all vesting stops and unvested units are forfeited.

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19. SHARE CAPITAL (continued)

Restricted stock units (continued)

Movements in the number of non-vested restricted stock units and their related average grant-date fair values during the years ended 31 December 2025 and 2024 are as follow:

	2025 Weighted average grant date fair value US\$	2025 Number of restricted stock units	2024 Weighted average grant date fair value US\$	2024 Number of restricted stock units
Non-vested restricted stock units at 1 January	83.35	481	78.65	764
Granted	85.11	176	80.11	125
Cancelled	-	-	-	-
Vested	70.64	(142)	58.68	(340)
Transfer in	-	-	58.68	170
Transfer out	-	-	84.18	(238)
Non-vested restricted stock units at 31 December	87.46	<u>515</u>	83.35	<u>481</u>

The fair value of restricted stock units is determined based on the closing stock price of the ultimate holding company's common shares on the grant date. The weighted average granted-date fair value of each restricted stock unit granted during the year ended 31 December 2025 was US\$85.11 (2024: US\$80.11).

The Company entered into an agreement with Principal Financial Group to reimburse Principal Financial Group for restricted stock units which vested and paid to employees. During the year ended 31 December 2025, restricted stock units granted amount of HK\$150,256 (2024: HK\$156,667) were recorded in amount due to ultimate holding company and vested amount of HK\$77,830 (2024: HK\$1,384,519) were settled.

Employee Stock Purchase Plan

The company also operates an Employee Stock Purchase Plan, participating employees have the opportunity to purchase shares of the Principal Financial Group, the ultimate holding company, on a quarterly basis. Each year employees may purchase up to US\$22,500 worth of common stock at a price equal to 90% of the shares' fair market value as of the end of the purchase period. During the year ended 31 December 2025, number of shares purchased and employee stock purchase plan expenses are 2,876 (2024: 3,916) and HK\$180,058 (2024: HK\$338,255) respectively.

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20. CONTINGENT LIABILITIES

The Company continues to provide continuous financial support to Principal Trust Company (Asia) Limited, a fellow subsidiary of the Company, under the Mandatory Provident Fund Schemes (General) Regulation in accordance with the various deeds of undertaking signed on 28 February 2005, 3 July 2008, 23 June 2010 and 21 November 2018.

Except as disclosed above, at the end of the reporting period, the Company had no other significant contingent liabilities.

21. COMMITMENTS

The Company has one lease contract that has not yet commenced as at 31 December 2025. The future lease payments for this non-cancellable lease contract are HK\$6,486,050 due within one year.

22. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related companies during the year:

	Note	2025 HK\$	2024 HK\$
Management fee charged by intermediate holding companies	(i)	16,100,671	22,722,539
Management fee charged by immediate holding company	(i)	625,269	-
Management fees charged by fellow subsidiaries	(i)	49,195,631	49,780,167
		<u>65,921,571</u>	<u>72,502,706</u>
Pension management fees charged by fellow subsidiaries, net	(i)	25,356,117	27,241,006
		<u>91,277,688</u>	<u>99,743,712</u>

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22. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2025 HK\$	2024 HK\$
Management fee charged to immediate holding company	(i)	3,534,000	1,887,000
Management fees charged to fellow subsidiaries	(i)	<u>79,380,336</u>	<u>155,208,000</u>
		<u>82,914,336</u>	<u>157,095,000</u>

Note:

- (i) The management fees were determined among the Company, the intermediate holding companies, the immediate holding company and fellow subsidiaries.

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

	2025 HK\$	2024 HK\$
Cash-settled restricted stock unit expense	<u>150,256</u>	<u>156,667</u>

(c) Compensation to employees of the Company:

	2025 HK\$	2024 HK\$
Equity-settled employee stock purchase plan expense	<u>180,058</u>	<u>338,255</u>

(d) Outstanding balances with related parties:

The balances are unsecured, interest-free and have no fixed terms of repayment.

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23. FINANCIAL INSTRUMENTS BY CATEGORY

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

2025

Financial assets

	Financial assets at fair value through profit or loss HK\$	Financial assets at amortised cost HK\$	Total HK\$
Financial assets at fair value through profit or loss	1,171,157,152	-	1,171,157,152
Derivative financial instruments	184,592	-	184,592
Due from immediate holding company	-	596,603	596,603
Due from fellow subsidiaries	-	29,626,177	29,626,177
Investment contract receivables	-	12,816,719	12,816,719
Financial assets included in prepayments, deposits and other receivables	-	14,019,250	14,019,250
Cash and cash equivalents	-	222,059,348	222,059,348
	<u>1,171,341,744</u>	<u>279,118,097</u>	<u>1,450,459,841</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$	Financial liabilities at amortised cost HK\$	Total HK\$
Due to ultimate holding company	-	376,428	376,428
Due to intermediate holding companies	-	3,968,999	3,968,999
Due to fellow subsidiaries	-	4,301,015	4,301,015
Derivative financial instruments	1,263,986	-	1,263,986
Investment contract liabilities	768,607,434	-	768,607,434
Other payables and accruals	-	150,581,320	150,581,320
Lease liabilities	-	1,799,813	1,799,813
	<u>769,871,420</u>	<u>161,027,575</u>	<u>930,898,995</u>

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23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2024

Financial assets

	Financial assets at fair value through profit or loss HK\$	Financial assets at amortised cost HK\$	Total HK\$
Financial assets at fair value through profit or loss	1,801,134,609	-	1,801,134,609
Due from fellow subsidiaries	-	40,588,765	40,588,765
Investment contract receivables	-	11,302,358	11,302,358
Financial assets included in prepayments, deposits and other receivables	-	20,207,089	20,207,089
Cash and cash equivalents	-	297,105,693	297,105,693
	<u>1,801,134,609</u>	<u>369,203,905</u>	<u>2,170,338,514</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$	Financial liabilities at amortised cost HK\$	Total HK\$
Due to ultimate holding company	-	303,987	303,987
Due to intermediate holding companies	-	5,376,015	5,376,015
Due to immediate holding company	-	1,484,238	1,484,238
Due to fellow subsidiaries	-	86,522,864	86,522,864
Derivative financial instruments	1,643,481	-	1,643,481
Investment contract liabilities	1,287,268,005	-	1,287,268,005
Other payables and accruals	-	23,568,192	23,568,192
Lease liabilities	-	28,378,069	28,378,069
	<u>1,288,911,486</u>	<u>145,633,365</u>	<u>1,434,544,851</u>

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24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the Company's financial instruments approximate to their carrying amounts largely due to the nature or short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

As at 31 December 2025 and 2024, the Company held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2025:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Club membership debenture	-	166,666	-	166,666
Unlisted unit trusts	-	254,403,488	-	254,403,488
Debt investments	-	916,586,998	-	916,586,998
Derivative financial instruments	-	184,592	-	184,592
	-	1,171,341,744	-	1,171,341,744

Liabilities measured at fair value as at 31 December 2025:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Derivative financial instruments	-	1,263,986	-	1,263,986
Investment contract liabilities	-	768,607,434	-	768,607,434
	-	769,871,420	-	769,871,420

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24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value as at 31 December 2024:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Club membership debenture	-	166,666	-	166,666
Unlisted unit trusts	-	279,501,398	-	279,501,398
Debt investments	-	1,521,466,545	-	1,521,466,545
	-	1,801,134,609	-	1,801,134,609

Liabilities measured at fair value as at 31 December 2024:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Derivative financial instruments	-	1,643,481	-	1,643,481
Investment contract liabilities	-	1,287,268,005	-	1,287,268,005
	-	1,288,911,486	-	1,288,911,486

During the years ended 31 December 2025 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise cash, time deposits, unit trusts and debt investments. The main purposes of these financial instruments are to provide finance for the Company's operations and to earn interest income. The Company has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Investments in fixed interest rate debt securities are exposed to interest rate risk, where the value of these securities may fluctuate as a result of a change in interest rate. In general, if interest rates rise, the income potential of the portfolio also raises but the value of fixed rates securities declines. A fall in interest rates would generally have the opposite effect. Controlling relative interest rate risk is by aligning the portfolio maturity profile to that of the benchmark and keeping deviations within certain limits.

The Company is exposed to interest rate risk through the investments in fixed interest rate financial assets whose fair value will be affected by fluctuation of prevailing market interest rates. The Company manages exposure to risks associated with interest rate fluctuations through active monitoring on the investment portfolio. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax.

	2025 Changes in interest rates	2024 Changes in interest rates	2025 Impact on profit before tax HK\$'million	2024 Impact on profit before tax HK\$'million
Debts investments	+25 basis points	+25 basis points	(0.80)	(4.00)
Debts investments	-25 basis points	-25 basis points	0.80	4.00

Foreign currency risk

The Company has transactional currency exposures. Such exposures mainly arise from time deposits, derivative financial instruments and debt investments in United States dollars at the end of the reporting period. As Hong Kong dollars are pegged with United States dollars, it is considered by management that the foreign currency risks of these financial assets are minimal.

Credit risk

The Company trades only with recognised and credit-worthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The maximum exposure of the credit risk of the Company's other financial assets, which comprise cash and cash equivalents, debts securities, unit trusts, derivative financial instruments and amounts due from group companies, is equal to the carrying amounts of these instruments.

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Since the Company trades only with recognised and credit-worthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Company as the debt securities were issued by credit-worthy financial institutions and there was no recent history of default. At 31 December 2025 and 2024, the Company invested in high quality credit-worthy debts with short to medium term maturity and with Standard & Poor's ("S&P") credit ratings (or equivalent when S&P not available) of BBB- or above.

The tables below show the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2025 and 2024.

31 December 2025

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	Total HK\$
Due from immediate holding company	596,603	-	-	-	596,603
Due from fellow subsidiaries	29,626,177	-	-	-	29,626,177
Investment contract receivables	-	-	-	12,816,719	12,816,719
Financial assets included in prepayments, deposits and other receivables	14,019,250	-	-	-	14,019,250
Cash and cash equivalents	222,059,348	-	-	-	222,059,348
	<u>266,301,378</u>	<u>-</u>	<u>-</u>	<u>12,816,719</u>	<u>279,118,097</u>

31 December 2024

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Simplified approach HK\$	Total HK\$
Due from fellow subsidiaries	40,588,765	-	-	-	40,588,765
Investment contract receivables	-	-	-	11,302,358	11,302,358
Financial assets included in prepayments, deposits and other receivables	20,207,089	-	-	-	20,207,089
Cash and cash equivalents	297,105,693	-	-	-	297,105,693
	<u>357,901,547</u>	<u>-</u>	<u>-</u>	<u>11,302,358</u>	<u>369,203,905</u>

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31 December 2025

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

This arises from the risk that the financial instrument may not be able to be converted into cash to meet liquidity needs in a timely manner. To guard against this risk, stock selection considerations include analysis of factors like daily trading volumes, bid-offer spreads, availability of prices from brokers at short notice etc. The financial instruments include mainly investments in quoted debt securities. They are mainly traded on either stock exchanges or over-the-counter markets, and are generally liquid and could be liquidated quickly at an amount close to their fair values in order to meet their liquidity requirements for most cases.

The Company has a solid financial position and maintained a strong and steady cash inflow from its operating activities. As at 31 December 2025, cash and cash equivalents of the Company amounted to HK\$222 million (2024: HK\$297 million). The current ratio of the Company was 1.5 (2024: 1.0).

Since the Company has sufficient cash and cash equivalents to meet its liabilities, the Company did not enter into any bank overdrafts, bank loans, convertible bonds and other interest-paying loans during the year.

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contracted undiscounted payments, were as follows:

Financial liabilities

	2025				
	On demand HK\$	Less than 3 months HK\$	3 months to less than 1 year HK\$	1 year to 5 years HK\$	No term HK\$
Due to ultimate holding company	376,428	-	-	-	-
Due to intermediate holding companies	3,968,999	-	-	-	-
Due to fellow subsidiaries	4,301,015	-	-	-	-
Derivative financial instruments	-	1,263,986	-	-	-
Investment contract liabilities	-	-	-	-	768,607,434
Other payables and accruals	-	141,288,624	9,292,696	-	-
Lease liabilities	-	805,040	1,020,540	-	-
	<u>8,646,442</u>	<u>143,357,650</u>	<u>10,313,236</u>	<u>-</u>	<u>768,607,434</u>
					<u>930,924,762</u>

Financial liabilities

	2024				
	On demand HK\$	Less than 3 months HK\$	3 months to less than 1 year HK\$	1 year to 5 years HK\$	No term HK\$
Due to ultimate holding company	303,987	-	-	-	-
Due to intermediate holding companies	5,376,015	-	-	-	-
Due to immediate holding company	1,484,238	-	-	-	-
Due to fellow subsidiaries	86,522,864	-	-	-	-
Derivative financial instruments	1,643,481	-	-	-	-
Investment contract liabilities	-	-	-	-	1,287,268,005
Other payables and accruals	-	10,650,528	4,720,614	8,197,050	-
Lease liabilities	-	4,577,391	11,556,514	13,198,304	-
	<u>95,330,585</u>	<u>15,227,919</u>	<u>16,277,128</u>	<u>21,395,354</u>	<u>1,287,268,005</u>
					<u>1,435,498,991</u>

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market. The financial assets are exposed to market risk, as changes in market prices will affect the investment value. Price risk is mitigated by constructing a diversified portfolio of investments across different issuers, different sectors, or traded on different markets.

The Company's price risk exposure relates to listed and unlisted investments which are financial assets at fair value through profit or loss designated as such upon initial recognition. Gains or losses on these financial assets are recognised in profit or loss.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market. The fair value hierarchy of the Company's financial instruments is set out in note 24 to the financial statements.

Sensitivity analysis on financial assets

As part of the Company's investment strategy, in order to reduce financial risks, the Company matches its investments to liabilities arising from investment contract liabilities, by reference to the type of benefits payable to contract holders.

At 31 December 2025, if the price of listed and unlisted investments had been 10% higher/lower with all other variables held constant, the Company's profit after tax would have been HK\$15.9 million (2024: HK\$30.2 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value. Moreover, as the Company is regulated by Insurance Authority, the Company has to maintain sufficient net assets, solvency margin and reserving requirement in accordance with the Insurance Ordinance and the Risk-based Capital ("RBC") framework throughout the year. As required by the Insurance Ordinance, the Company's policy is to maintain its capital base, derived from its net asset, to be no less than its prescribed capital amount. The Company's net asset provides for insurance liabilities as the sum of the current estimates, inclusive of Investment contract liabilities for Class G and Class H businesses, and the margins over current estimate for such liabilities.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024.

26. EVENT AFTER REPORTING PERIOD

BCT Group and Principal Financial Group announced a strategic relationship. Under this agreement, subsidiaries of the BCT Group will become the sponsor and trustee of the Principal Mandatory Provident Fund ("MPF") Schemes. The Company and Principal Trust Company (Asia) Limited, a fellow subsidiary of the Company, are the current sponsor and trustee of the Principal MPF Schemes respectively. The commencement date is expected to be the third quarter of 2026, subject to the required regulatory approvals from the Mandatory Provident Fund Schemes Authority and the Securities and Futures Commission.

Principal Investment & Retirement Services Limited ("PIRS"), a fellow subsidiary of the Company, entered into an agreement with BCT Financial Limited ("BCTF"). Under the agreement, PIRS will delegate the promoter or sales facilitator roles of the MPF schemes to BCTF with effect from 1 January 2026. This delegation forms part of the strategic relationship between Principal and BCT, aimed at enhancing service offerings. The management fees charged among the Company and its fellow subsidiaries will be revised to align with the respective business functions performed by each group company under the delegation arrangement. The delegation arrangement will continue until the commencement date as mentioned above.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 April 2026.

