Directors' Report

Audited Financial Statements

Black Kite Re Limited

Year ended 31 December 2024

Black Kite Re Limited

Directors' Report

The directors submit herewith their report and audited financial statements of Black Kite Re Limited (the "Company") for the year ended 31 December 2024.

Principal activity
The principal activity of the Company is to enter into contract(s) of insurance only with Peak Reinsurance Company Limited. The Company has been authorised by the Insurance Authority under section 8A of the Insurance Ordinance to carry on special purpose business in or from Hong Kong.

Results and dividends
The results of the Company for the year ended 31 December 2024 are set out in the statement of comprehensive income on page 6.

The directors do not recommend the payment of a dividend.

Directors
The directors who held office during the year and up to the date of this report were:

Timothy James Yip	
Stephen John Tunstall	
Nisala Weerasooriya	(appointed on 25 January 2024)
Stuart Sidney Herbert	(resigned on 25 January 2024)

There being no provision in the Company's Articles of Association for retirement by rotation, all directors shall continue in office.

Controller
The controller of the Company, within the meaning of Section 13A(12) of the Insurance Ordinance, during the period and up to the date of this report was:

Nisala Weerasooriya	(appointed on 25 January 2024)
Stuart Sidney Herbert	(resigned on 25 January 2024)

Arrangements for acquisition of shares or debentures
At no time during the year was the Company or its holding company a party to any arrangements to enable directors or controller of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other company.

Material interests in transactions, arrangements or contracts
After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's holding company was a party and in which a director or controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

Management contracts
The operational management, accounting and administrative functions are provided by Marsh Management Services Singapore Pte. Ltd. in accordance with the services agreement dated 2 June 2022 as disclosed in note 18 to the financial statements.

Equity-linked agreements
No equity-linked agreements into which the Company entered subsisted at any time during the year.

Permitted indemnity provisions
No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of a then director or a director of the Company (whether made by the Company or otherwise) or a then director or a director of its holding company (if made by the Company).

Auditors
A resolution will be submitted to the annual general meeting to re-appoint Forvis Mazars CPA Limited, *Certified Public Accountants*, as auditor of the Company.

Approved and signed by

DocuSigned by:

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Timothy James Yip
Director

29 April 2025

forvis mazars

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Wanchai, Hong Kong
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Independent Auditor's Report

To the member of
Black Kite Re Limited
(incorporated in Hong Kong with limited liability)

Opinion
We have audited the financial statements of Black Kite Re Limited (the "Company") set out on pages 6 to 33, which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a 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 2024, and of its financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

Basis for Opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have 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.

Other Information
The directors of the Company are responsible for the other information. The other information comprises the directors' report.

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.

forv/s
mazars

Independent Auditor's Report

To the member of
Black Kite Re Limited
(incorporated in Hong Kong with limited liability)

Responsibilities of Directors for the Financial Statements
The directors of the Company 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 Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 director.

Independent Auditor's Report

To the member of
Black Kite Re Limited
(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 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.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 29 April 2025

The engagement director on the audit resulting in this independent auditor's report is:
Chan Hiu Fun
Practising Certificate number: P05709

Black Kite Re Limited

Statement of Comprehensive Income
Year ended 31 December 2024

	Note	2024 US$	2023 US$
Insurance revenue		**10,613,604**	10,696,890
Insurance service result	5	**10,613,604**	10,696,890
Interest income from money market funds	6	**7,539,766**	7,261,375
Investment return to noteholders	6	**(17,931,903)**	(17,713,735)
Administrative expenses		**(221,467)**	(244,530)
Profit before tax	7	**-**	-
Income tax expense	8	**-**	(6,086)
Profit/(Loss) and total comprehensive income/(loss) for the year		**-**	(6,086)

Black Kite Re Limited

Statement of Financial Position
At 31 December 2024

	Note	2024 US$	2023 US$
ASSETS			
Financial assets at fair value through profit or loss	9	**150,000,000**	150,000,000
Prepayments and other receivables	10	**583,971**	698,760
Insurance contract assets	11	**3,740,387**	3,917,170
Cash and cash equivalents	12	**145,243**	46,363
Total assets		**154,469,601**	154,662,293
LIABILITIES AND EQUITY			
LIABILITIES			
Variable rate notes payable	13	**150,000,000**	150,000,000
Accrued expenses and other payables	14	**4,430,752**	4,620,785
Provision for Hong Kong tax		**3,427**	6,086
Total liabilities		**154,434,179**	154,626,871
EQUITY			
Share capital	15	**100**	100
Retained earnings		**35,322**	35,322
Total equity		**35,422**	35,422
Total liabilities and equity		**154,469,601**	154,662,293

These financial statements on pages 6 to 33 were approved and authorised for issue by the Board of Directors on 29 April 2025 and signed by

DocuSigned by:
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Stephen John Tunstall
Director

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Timothy James Yip
Director

Statement of Changes in Equity
Year ended 31 December 2024

	Share capital *US$*	Retained earnings *US$*	Total *US$*
Balance at 1 January 2023	100	41,408	41,508
Loss and total comprehensive loss for the year	-	(6,086)	(6,086)
At 31 December 2023 and 1 January 2024	100	35,322	35,422
Profit and total comprehensive income for the year	-	-	-
At 31 December 2024	**100**	**35,322**	**35,422**

Statement of Cash Flows
Year ended 31 December 2024

	Note	**2024 US$**	2023 US$
Operating activities			
Profit before tax		**-**	-
Adjustments for:			
Interest income from money market funds	6	**(7,539,766)**	(7,261,375)
Investment return to noteholders	6	**17,931,903**	17,713,735
Operating cash flows before changes in working capital		**10,392,137**	10,452,360
Changes in working capital:			
Prepayments and other receivables		**9,820**	(7,063)
Insurance contract assets		**176,783**	(64,278)
Accrued expenses and other payables		**(56,653)**	42,169
Net cash generated from operating activities		**10,522,087**	10,423,188
Investing activities			
Interest received		**7,644,735**	7,081,255
Net cash generated from investing activities		**7,644,735**	7,081,255
Financing activities			
Investment return paid to noteholders		**(18,067,942)**	(17,951,707)
Net cash used in financing activities		**(18,067,942)**	(17,951,707)
Net increase/(decrease) in cash and cash equivalents		**98,880**	(447,264)
Cash and cash equivalents at beginning of year		**46,363**	493,627
Cash and cash equivalents at end of year	12	**145,243**	46,363

Statement of Cash Flows
Year ended 31 December 2024

Changes in liabilities arising from financing activities:

	At 1 January 2023 US$	Financing cash outflow US$	Non-cash movement: Investment return to noteholders US$	Non-cash movement: Reclassified to other payables US$	At 31 December 2023 US$
Variable rate notes payable	150,000,000	(17,951,707)	17,713,735	237,972	150,000,000

	At 1 January 2024 US$	Financing cash outflow US$	Non-cash movement: Investment return to noteholders US$	Non-cash movement: Reclassified to other payables US$	At 31 December 2024 US$
Variable rate notes payable	**150,000,000**	**(18,067,942)**	**17,931,903**	**136,039**	**150,000,000**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

Black Kite Re Limited (the "Company") is a public company limited by shares incorporated in Hong Kong on 10 March 2022. The Company's registered office is located at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The principal activity of the Company is to enter into contract(s) of insurance only with Peak Reinsurance Company Limited. The Company has been authorised by the Insurance Authority under section 8A of the Insurance Ordinance to carry on special purpose business in or from Hong Kong.

The immediate and ultimate holding company of the Company is Walkers Fiduciary Limited (incorporated in the Cayman Islands) (in its capacity as trustee of the Black Kite Re Limited Charitable Trust registered in the Cayman Islands).

2. Summary of material accounting policies

2.1 Basis of preparation and measurement and future changes in HKFRS Accounting Standards

Basis of preparation

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 financial statements except for the adoption of the following new / revised HKFRS Accounting Standards that are relevant to the Company and effective from the current year.

Adoption of new / revised HKFRS Accounting Standards

The Company has applied, for the first time, the following new / revised HKFRS Accounting Standards that are relevant to the Company:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The adoption of the amendments does not have any significant impact on the financial statements.

2. Summary of material accounting policies (Continued)

2.1 Basis of preparation and measurement and future changes in HKFRS Accounting Standards (Continued)

Amendments to HKAS 1: Non-current Liabilities with Covenants
The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements. The adoption of the amendments does not have any significant impact on the financial statements.

Basis of measurement
The measurement basis used in the preparation of these financial statements is historical cost, except for financial assets at fair value through profit or loss and variable rate notes payable, which are measured at fair value as explained in the accounting policies set out below.

Future changes in HKFRS Accounting Standards
At the date of authorisation of these financial statements, the HKICPA has issued a number of new / revised HKFRS Accounting Standards that are not yet effective for the current year, which the Company has not early adopted. The directors do not anticipate that the adoption of the new / revised HKFRS Accounting Standards in future periods will have any material impact on the results of the Company.

2.2 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other reporting periods and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Current and deferred tax are recognised as an expense or income in profit or loss.

2.3 Foreign currencies transactions and translation

The financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements of the Company are presented in United States dollar ("US$") which is also the functional currency of the Company.

Foreign currency transactions are translated into the Company's functional currency at the exchange rates prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the reporting year.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts

i. Classification of Insurance Contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the year.

ii. Insurance revenue

As the Company provides insurance contract services under the insurance contracts, it reduces the asset/liability for remaining coverage ("ARC/LRC") and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

In applying the Premium Allocation Approach ("PAA") model, the Company recognises insurance revenue based on the seasonality over the coverage of a group of contracts.

iii. Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation;
- adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- losses on onerous contracts and reversals of such losses; and
- insurance acquisition cash flows assets impairment.

The amortisation of insurance acquisition cash flows is reflected in insurance service expenses based on the passage of time.

Other expenses not meeting the above categories are included in administrative expenses in the statement of profit or loss.

iv. Identifying contracts in the scope of HKFRS 17

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features that an entity issue. HKFRS 17 focuses on types of contracts rather than types of entities and hence, generally applies to all entities that write insurance contracts. It is expected to ease the process of measuring liabilities consistently and to improve the level of disclosure for insurers.

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts (Continued)

iv. Identifying contracts in the scope of HKFRS 17 (continued)

The definition of an insurance contract in HKFRS 17 is 'a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.'

The definition of an insurance contract refers to 'insurance risk' which is defined as 'risk, other than financial risk, transferred from the holder of a contract to the issuer'.

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into a minimum of:

(i) contracts that are onerous at initial recognition;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) remaining group of contracts.

The Company accounts for its portfolio of contracts by applying the PAA as the Company determined that contracts are not onerous on initial recognition nor have a significant possibility of becoming onerous subsequently. Based on the contracts written, identified and analysed, it is determined that none of the contracts were priced from the outset on a loss-making basis hence it is assumed that there is no onerous contracts. In addition, the Company is structured to be fully funded.

Recognition

The Company recognises groups of insurance contracts issued from the earliest of the following dates:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); and
- the date when a group of contracts becomes onerous.

Measurement

Given that the measurement is not materially from that under the general measurement model, the contract is eligible to apply the PAA model.

On initial recognition, the Company measures "ARC/LRC" at the amount of premiums received.

Premiums due to the Company for insurance contract services already provided in the year but not yet received at the end of the reporting period are included in the ARC/LRC. The carrying amount of the ARC/LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting year adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that year

2. Summary of material accounting policies (Continued)

2.4 Insurance contracts (Continued)

iv. Identifying contracts in the scope of HKFRS 17 (continued)

Insurance acquisition cash flows are expensed as incurred.

The Company estimates the liability for incurred claims ("LIC") as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

The carrying amount of the LIC is measured applying the PAA model, except that:

- for claims that the Company expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks; and
- for claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised.

In measuring the LIC, judgement is applied in determining the risk adjustment for non-financial risk.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For risk adjustment, the Company selects confidence level so that there is a certain probability of the reserves being sufficient. The Confidence level is commensurate to the Company's risk appetite. The Company determined risk adjustment confidence level at the 75^{th} percentile.

As the Company's insurance policy is eligible for the PAA model, the risk adjustment valuation may therefore only be required for LIC. As there are no notified losses and no losses expected to incur within the covered layer, no LIC risk adjustment was established.

<u>Presentation and disclosure</u>

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments

The Company recognises a financial asset or a financial liability in its statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter year, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortised cost include other receivables and cash and cash equivalents.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets at FVTPL

A financial asset is measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVOCI, is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, or is otherwise required to be measured at FVTPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

The Company's financial assets mandatorily measured at FVTPL include money market funds.

Non-derivative financial liabilities

The Company's financial liabilities include variable rate notes payable and other payables.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and any resultant gains and losses, including any interest expense, are recognised in profit or loss. Interest expenses are presented separately from fair value gain or loss.

Financial liabilities are designated at initial recognition as at FVTPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

All financial liabilities, except for financial liabilities at FVTPL, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

2. Summary of material accounting policies (Continued)

2.5 Financial instruments (Continued)

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when and only when the contractual rights to the future cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

2.6 Impairment of non-derivative financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. Summary of material accounting policies (Continued)

2.6 Impairment of non-derivative financial assets (Continued)

General approach

The Company applies the general approach to provide for ECLs on all financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly since initial recognition if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instruments. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2. Summary of material accounting policies (Continued)

2.6 Impairment of non-derivative financial assets (Continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;
(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in note 16 to the financial statements, the following financial instruments are determined to have low credit risk:

- Interest receivables; and
- Cash and cash equivalent.

Credit-impaired financial assets

In determining whether financial assets are credit-impaired, the Company assesses whether one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 365 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Any subsequent recovery is recognised in profit or loss.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks which are not restricted as to use and within three months when acquired.

2. Summary of material accounting policies (Continued)

2.8 Related party

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Company if 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.

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

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities 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. If the Company is itself such a plan, the sponsoring employers are also 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).
  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

(a) that person's children and spouse or domestic partner;
(b) children of that person's spouse or domestic partner; and
(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of that Company.

3. Critical accounting judgements and key sources of estimation uncertainty

The Company made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Company's accounting policies

Determination of function currency

In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its services. The functional currency of the Company is determined based on the local management's assessment of the economic environment in which the entity operates and its process of determining sales prices.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities – liability for incurred claims

Critical accounting judgments in applying the Company's accounting policies are related to the policyholder claims.

The Company's estimates for reported and unreported losses and the resulting provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the profit or loss. The process relies upon the use of external actuarial team and the assumption that past experience is an appropriate basis for predicting future events.

4. Claims development

A claims development table discloses unpaid claims estimates into a context, allowing comparison of the development of provisions for claims with those seen in previous years. The table will provide a review of current estimates of cumulative claims and demonstrate how the estimated claims have changed at subsequent accident year-ends.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

A claims development table is not disclosed in the financial statements as there is no claims development to disclose.

The directors of the Company believe that the estimates of total claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

5. Insurance service result

	2024 US$	2023 US$
Insurance revenue		
Contracts measured under PAA	**10,613,604**	10,696,890

6. Net investment expense

	2024 US$	2023 US$
Interest income from money market funds	**7,539,766**	7,261,375
Investment return to noteholders	**(17,931,903)**	(17,713,735)

Investment return to noteholders includes noteholders' share of annual risk premiums of US$10,392,137 (2023: US$10,452,360).

7. Profit before tax

This is stated after charging:

	2024 US$	2023 US$
Auditor's remuneration	**37,097**	40,339
Directors' fees *(note 19)*	**28,338**	28,372
Exchange (gain)/loss, net	**(1,126)**	376
Management service fee paid	**30,000**	45,150

8. Income tax expense

Hong Kong Profits Tax has not been provided as the Company had no assessable profits for the years ended 31 December 2024 and 2023.

Reconciliation of tax expense	**2024** *US$*	2023 *US$*
Profit before tax	-	-
Income tax at applicable tax rate of 16.5%	-	-
Tax exempt revenue	-	-
Under provision in prior year	-	6,086
Tax expense for the year	-	6,086

9. Financial assets at fair value through profit or loss

	2024 *US$*	2023 *US$*
Mandatorily measured at FVTPL		
Unlisted money market funds *(note 17)*	**150,000,000**	150,000,000

The Company has used the proceeds from the issuance of the variable rate notes (note 13) to purchase its investment in money market funds, which are deposited in a collateral account with a third-party financial institution. Following the purchase of the investment and until the agreed applicable redemption date, the collateral account is expected to contain only the investment in money market funds unless such investment is redeemed earlier.

When the investment in money market funds is redeemed, the cash proceeds of such redemption will be deposited in the collateral trust account. The financial assets are collateral for the variable rate notes of the Company and any funds made available through the disposal of the investment will be used to repay the principal and accrued interest of the variable rate notes.

10. Prepayments and other receivables

	2024	2023
	US$	*US$*
Interest receivables	**559,702**	664,671
Prepayments	**24,269**	34,089
	583,971	698,760

Information about the Company's exposure to credit risks and loss allowance for other receivables is included in note 16 to the financial statements.

The currency profile of the prepayments and other receivables as at 31 December 2024 and 2023 was as follows:

	2024	2023
	US$	*US$*
United States dollar	**582,761**	695,346
Hong Kong dollar	**1,210**	1,168
Singapore dollar	**-**	2,246
	583,971	698,760

11. Insurance contract assets / (liabilities)

	2024	2023
	US$	*US$*
Insurance contract assets / (liabilities) – ARC/LRC PAA	**3,740,387**	3,917,170

11. Insurance contract assets / (liabilities) (Continued)

Reconciliation of the asset/liability for remaining coverage

	2024 *US$*	2023 *US$*
Balance as at 1 January	**3,917,170**	3,852,892
Insurance revenue	**10,613,604**	10,696,890
Total changes in statement of comprehensive income	**10,613,604**	10,696,890
Premiums received	**(10,790,387)**	(10,632,612)
Total cash flows	**(10,790,387)**	(10,632,612)
Balance as at 31 December	**3,740,387**	3,917,170

12. Cash and cash equivalents

	2024 *US$*	2023 *US$*
Cash at bank	**145,243**	46,363

Cash and cash equivalents are denominated in United States dollar.

13. Variable rate notes payable

	2024 *US$*	2023 *US$*
Designated at FVTPL		
Variable rate notes *(note 17)*	**150,000,000**	150,000,000

Aside from the initial issuance on 2 June 2022, there have been no movements, no changes in unrealised fair value nor additions or redemptions during the year *(2023: Nil).*

On 2 June 2022, the Company issued US$150,000,000 Series 2022-1 Class A Principal-at-Risk Variable Rate Notes due on 9 June 2025 (the "Notes"). The Notes are with limited recourse to certain assets of the Company. Noteholders will only have recourse to the collateral account relating to the Notes. In addition to the covered perils associated with the reinsurance agreement between the Company and Peak Reinsurance Company Limited, the noteholders are exposed to the credit risk of Peak Reinsurance Company Limited (as the reinsured) and The Bank of New York Mellon (as the indenture trustee).

Due to the limited recourse of the Notes, the repayment of the principal and accrued interest of the Notes is dependent upon funds being available to meet such liabilities as they fall due. If the Company has insufficient funds available for the purpose of redeeming the principal outstanding on any class of notes in full or interest thereon, such amounts shall not be payable to the noteholders.

The fair value of the Notes is calculated by adding the nominal value of the Notes and the fair value adjustment, which is US$Nil during the year *(2023: US$Nil).*

14. Accrued expenses and other payables

	2024 *US$*	2023 *US$*
Investment return to noteholders	**3,819,390**	3,850,252
Accrued expenses	**51,660**	105,654
Notes interest payable	**559,702**	664,879
	4,430,752	4,620,785

14. Accrued expenses and other payables (continued)

The currency profile of accrued expenses and other payables as at 31 December is as follows:

	2024	2023
	US$	*US$*
United States dollar	**4,390,134**	4,573,404
Hong Kong dollar	**40,618**	47,381
	4,430,752	4,620,785

15. Share capital

	2024		2023	
	Number of share	***HK$***	Number of share	*HK$*
Issued and fully paid:				
At beginning of the year **and at end of the year**	**100**	**100**	100	100

Capital risk management

The Company's objectives when managing capital are:

- to comply with the regulatory capital determined from time to time in accordance with the Insurance Ordinance and the capital requirements imposed by the Insurance Authority; and
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder.

The Company, as a special purpose insurer ("SPI"), must be fully funded under the fund solvency and capital adequacy requirement, meaning that the value of the assets held by or on behalf of the SPI for the benefits of the cedant shall at all times be no less than the amount of liabilities borne by it under the reinsurance contracts entered into with the cedant.

The Company has met the regulatory capital requirements for the years ended 31 December 2024 and 2023.

There is no change in the Company's objectives, policies or processes to capital management during the year.

16. Financial and insurance risk management objectives and policies

Event risk

The Company has issued the Notes in order to obtain funding to support its obligations under the reinsurance agreement to make certain payments to Peak Reinsurance Company Limited. As a result of the reinsurance agreement in place, the Company and the noteholders are at risk in the event that the Japan typhoon occurs during the risk period, which exceeds the event attachment points or the event reset attachment points. The Company will be required to make payments to Peak Reinsurance Company Limited in the event of a Japan typhoon loss as set forth in a net of loss payment exceeding the event attachment level or the event reset attachment level.

Insurance risk

The Company, due to its licensing arrangements and conditions, is unable to insure a diversified portfolio of similar risks. The Company only underwrites permitted insurance securitization and reinsurance contracts as approved by the Insurance Authority. Such a focus on one insured group does result in concentration risks and creates a wider variability of outcome than a balanced portfolio. However, the nature of the business is such that the Company is fully collateralized, with the assets held on trust or otherwise under contract on behalf of the Company for the benefit of the ceding insurer, not less than the potential liabilities of the reinsurance contracts entered into.

The Company underwrites catastrophe aggregate excess of loss, indemnifying the reinsured for the part of its ultimate net loss which exceeds the applicable attachment on account of each and every covered event.

The key risks associated with this product are underwriting risk and claims experience.

Underwriting risk is the risk that the Company does not charge premiums appropriately for the coverage it insures. The risk on any policy will vary according to many factors such as location, safety measures in place, nature of the business insured and age of property. Therefore, determining a premium commensurate with the risk for these policies will be subjective, and hence risky.

Insurance risk is managed primarily through sensible pricing and appropriate investment strategy. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and related to circumstances where significant liabilities could arise.

The Company manages the risk by capping its exposure with an aggregate limit of US$150,000,000 *(2023: US$150,000,000).*

In considering the mitigation of insurance risk, the Company's philosophy is threefold: to reduce risk, to stabilize solvency and expansion of underwriting capacity.

16. Financial and insurance risk management objectives and policies (Continued)

Strategy in using financial instruments

The financial liabilities provided the funding to purchase the Company's investment in financial assets at fair value through profit or loss. Financial assets and liabilities represent the majority of the assets and liabilities of the Company. The Company has purchased money market funds as a means of investing the proceeds of the Notes.

The strategies used by the Company in achieving its objectives regarding the use of the financial assets and liabilities were established when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its financial assets to avoid the risk generated by mismatches of investment performance against its obligations.

Financial risk

The Company's activities expose it to credit risk, market risk (including foreign currency risk) and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company.

The carrying amounts of other receivables as well as cash and cash equivalents represent the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

There are policies in place to identify whether the debtors have adequate financial standing and appropriate credit history.

The directors considers its interest receivables are subject to low credit risk as the Notes has a high credit rating of "AAAm" by Standard & Poor's. At the end of the reporting period, there are no past due or impaired receivables.

The directors consider that cash and cash equivalents are subject to low credit risk due to the high credit rating of "A-1" by Standard & Poor's of the financial institution.

Foreign currency risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Company has no significant foreign currency exchange rate risk as its financial assets and liabilities are substantially denominated in United States dollar. Hence, no disclosure on sensitivity analysis for changes in foreign exchange rate is made as the effect is not significant.

16. Financial and insurance risk management objectives and policies (Continued)

Liquidity risk

The Company is exposed to calls on its available cash resources mainly from claims arising from reinsurance contract. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company's ability to meet its funding requirements is managed by maintaining sufficient cash and bank deposits, as well as investments.

The Company's main liabilities are the outstanding claims (if any), repayment of interest and principal on the Notes.

The directors do not foresee any issues in meeting the Company's claims obligations (if any) as its maximum exposure is limited to the liquidation proceeds of the permitted investments held in the collateral trust account. The risk is managed by maintaining the investments.

The contractual maturities of the financial liabilities at the end of the reporting period is on demand or within one year. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements (if any).

17. Fair value measurements

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

The Company held the following financial instruments measured at fair value:

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*
As at 31 December 2024			
Assets measured at fair value			
Financial assets at FVPL			
- Investment in money market funds	150,000,000	-	-
Liabilities measured at fair value			
Variable rate notes	-	-	150,000,000

17. Fair value measurements (Continued)

	Level 1 US$	Level 2 US$	Level 3 US$
As at 31 December 2023			
Assets measured at fair value			
Financial assets at FVPL			
- Investment in money market funds	150,000,000	-	-
Liabilities measured at fair value			
Variable rate notes	-	-	150,000,000

The fair value of the investment in money market funds is derived with reference to quoted market prices.

The fair value of the variable rate notes has been assessed as equal to the nominal value of the Notes and the fair value adjustment on investment in money market funds. Redemption, and therefore redeemable value of the Notes, is linked to the funds available upon redemption of the Notes.

18. Related party transactions

Transactions with key management personnel

The key management personnel of the Company comprised directors and controller and their fees are as disclosed under note 19 to the financial statements.

During the year, the Company had no employees as the operational management, accounting and administrative functions are outsourced to Marsh Management Services Singapore Pte Ltd. The Company paid a management service fee of US$30,000 *(2023: US$45,150)* as disclosed under note 7 to the financial statements.

Other related party transactions

Other than as disclosed elsewhere in the financial statements, there were no significant transactions between the Company and its related parties.

19. Information about the benefits of directors

The following disclosures are presented pursuant to section 383 of the Companies Ordinance.

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 383 of the Companies Ordinance is as follows:

	Qualifying services		
	As a director *US$*	Other services in connection with the management of the affairs *US$*	Total *US$*
Year ended 31 December 2024			
Emoluments	**28,338**	**-**	**28,338**
Year ended 31 December 2023			
Emoluments	28,372	-	28,372

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company or its holding company, or their controlled companies that were entered into or subsisted during the year *(2023: US$Nil)*.

(c) Directors' material interests in transactions, arrangement or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year *(2023: US$Nil)*.

20. Events after the reporting period

Subsequent to the end of the reporting period, the Company has offered to issue Series 2025-1 variable rate notes for a targeted amount of US$50,000,000, estimated to be due on 28 April 2028.