



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Berking Re Limited

Opinion

We have audited the condensed financial statements of Berking Re Limited ("the Company"), which comprise the condensed balance sheet as at December 31, 2023, the condensed statements of income for the year then ended, capital and surplus, and notes to the condensed financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying condensed financial statements are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the condensed financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 3 to the condensed financial statements, which describes the basis of accounting. The condensed financial statements are prepared to assist the Company to comply with the financial reporting provisions of the Legislation referred to above. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of US GAAP. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the condensed financial statements

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 condensed financial statements.

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

- Identify and assess the risks of material misstatement of the condensed 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 management.
- Conclude on the appropriateness of management's 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 condensed 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.

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 6, 2024

CONDENSED BALANCE SHEET

Enter Company Name

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	4,449	3,000
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers	8	
(e)	Total reinsurance balance receivable	8	-
13.	SUNDRY ASSETS:		
(f)	Deferred acquisition costs	-	
(h)	Prepaid Assets	14	
(k)	Total sundry assets	14	-
15.	TOTAL	4,471	3,000
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	412	
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	412	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	1,140	
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	1,140	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	1,552	-
	OTHER LIABILITIES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	119	
38.	TOTAL OTHER LIABILITIES	119	-
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	1,671	-
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	2,800	3,000
41.	TOTAL	4,471	3,000

CONDENSED STATEMENT OF INCOME

Enter Company Name

As at **December 31, 2023**
expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written	1,481	
	(c) Total gross premiums written	1,481	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	1,481	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(412)	
5.	NET PREMIUMS EARNED	1,069	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	1,069	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	1,625	
9.	COMMISSIONS AND BROKERAGE	513	
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	2,138	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	(1,069)	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(1,069)	-
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	524	
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	524	-
31.	COMBINED INVESTMENT INCOME - NET	93	
33.	COMBINED INCOME BEFORE TAXES	(1,500)	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(1,500)	-
38.	NET INCOME	(1,500)	-

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Enter Company Name
 AS at December 31, 2023
 expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	120,000	shares of par
	value	\$ 1,000	each issued and
	fully paid	120,000	shares
(b)	Contributed surplus	4,180	2,880
(d)	Total Capital	4,300	3,000
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	-	
(b)	Add: Income for the year	(1,500)	-
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	(1,500)	-
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	2,800	3,000

BERKING RE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023
(expressed in U.S. dollars)

General Note to the Financial Statements

1. Organization

Berking Re Limited (“the Company”) was incorporated under the laws of Bermuda on February 11, 2022 and is a wholly owned subsidiary of PFY Health Technology Co Ltd (“the Parent”). The main ultimate beneficial owners of the Parent are JZ Family Office Ltd (41.37%) and GHCCare Ltd (15.88%), both British Virgin Islands corporations. The Company was approved and licensed as a Class 3A insurer under the Bermuda Insurance Act 1978 and Related Regulations on January 6th, 2023.

2. Description of business

The Company provides personal accident, short term critical illness and disease, and commercial general liability protection to Chinese reinsurers on a quota share basis. The Company does not cede out any assumed business.

The Company through its relationship with the PFY Group and specifically PFY Health technology (Shanghai) Co. Ltd. trading as GHCCare (“GHC”) (www.g-hcare.com), is in an advantageous position in being able to leverage the technology and relationships developed by GHC within the Chinese health industry to write a diversified portfolio of healthcare risks.

3. Basis of preparation

The accompanying condensed financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The condensed general purpose financial statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP. The significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

4. Accounting policies

a) Premiums

Premiums written are recorded on the accruals basis and are included in income on a monthly basis. These are calculated based on the cession statements received under the quota share agreements.

Unearned premium reserves are established to cover the unexpired portion of premiums written.

BERKING RE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023
(expressed in U.S. dollars)

Any unearned or unamortized portions of premium written at the financial period end are carried forward as unearned premium reserves on the balance sheet.

b) Investment income

Investment income consists of interest on cash held in money market funds.

c) Cash and cash equivalents

Cash and time deposits consists only of cash amounts held in banks in operating and money market fund accounts.

d) Loss and Loss expenses

Losses and loss expenses are recorded when advised by the ceding reinsurance company. Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding reinsurance company. Expected losses are set off against premium receivable to reflect expected cash flows. Although management believes, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate cost of losses incurred to the balance sheet date, the provision is an estimate and may ultimately be settled for a materially greater or lesser amount.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in results of operations in the period in which they become known and are accounted for as changes in estimates.

e) Commissions and brokerage

Commission and brokerage are comprised of commissions and fees that relate directly to the successful acquisition of premium. Such costs are deferred and recognized in income on a prorated basis over the period of the exposure in the underlying agreements.

The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognized. At December 31, 2023, premium deficiency on contracts was greater than deferred acquisition costs hence deferred acquisition costs were expensed out and premium deficiency reserve was recorded as part of the unearned premiums.

5. Recognition of income

The basis for recognition of premium income and investment income is as noted in 4 above.

6. Translation of Foreign Currencies

Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

BERKING RE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023
(expressed in U.S. dollars)

Income and expense items included in the statement in income are translated at the exchange rate ruling at the date of the transaction. Exchange gains or losses are included in the determination of net income.

7-14. N/A

15. Related party transactions

PFY Health Technology Co Ltd made payments on behalf of the Company to the amount of \$159,473 during the period, which was reimbursed by the Company before year end. The intercompany balance is \$Nil (2022: \$Nil)

16. Subsequent Events

On December 7th, 2023, the Company obtained approval from the Bermuda Monetary Authority to establish a subsidiary company in China and is currently in the process of being incorporated, however has not been finalized as at the time of reporting.

17. N/A

Notes to the Statement of Capital and Surplus

1. (a) Capital Stock

The Company's authorized share capital consists of 120,000 shares of \$1 each par value. At December 31, 2023, 120,000 (2022 – 120,000) all shares have been issued and fully paid.

1. (b) Contributed Surplus

The Parent Company has provided \$4,180,000 (2022: \$2,880,000) in contributed surplus to the Company in total.

2. (c) N/A

Notes to the Balance Sheet

1. Cash and Cash Equivalents

The Company has issued a letter of credit in favour of Peak Reinsurance Company Limited to the amount of CNY3,000,000 (\$511,613) that is held within the money market fund account as at December 31, 2023 (2022: \$Nil).

2-10. N/A

11. Reinsurance Balance Receivable

BERKING RE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023
(expressed in U.S. dollars)

The Company has reinsurance amounts receivable of \$8,301 (2022: \$Nil) in relation to business written in the normal course of business not yet settled.

12. N/A

13. Sundry Assets

The Company has prepaid expenses of \$14,420 at December 31, 2023 (2022: \$Nil).

14. N/A

16. Unearned premium reserve

The Company has unearned premium reserves of \$300,008 at December 31, 2023 (2022: \$Nil). Unearned premium reserve is comprised of the premium related to the unexpired portion of each deal.

At December 31, 2023, the expected future claims and expenses were greater than the sum of future earned premiums hence a premium deficiency loss reserve of \$112,553 was recognized after expensing out deferred acquisition costs of \$99,870.

17. Loss and loss expense provision

See General Note to the Financial Statements – 4. Loss and Loss Expenses.

Activity in the liability for loss and loss expense is summarized as follows:

	2023	2022
Gross loss and loss expense provisions at beginning of year	-	-
Less: Reinsurance recoverable at beginning of year	-	-
Net loss and loss expense provisions at beginning of year	-	-
Add: Net loss and loss expenses reserve movement related to:		
Current year	1,624,859	-
Prior years	-	-
Total net incurred losses and loss expenses	1,624,859	-
Less: Net losses and loss expenses paid related to:		
Current year	(484,736)	-
Prior years	-	-
Total losses and loss expenses paid or payable	(484,736)	-
Foreign exchange and other	-	-

BERKING RE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023
(expressed in U.S. dollars)

Net loss and loss expense provisions at end of year	1,140,123	-
Add: Reinsurance recoverable at end of year	-	-
Gross loss and loss expense provisions at end of year	<u>1,140,123</u>	<u>-</u>

The Company's incurred activity is due to current year's policies and created the loss and loss expense provision of \$1,140,123 (2022: \$Nil) split by the following lines of business:

- Employee Liability – \$670,110
- Personal Accident – \$470,013

20-30. N/A

31. Income Tax

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (“the Act”). The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group (“MNE Group”), effective for fiscal years beginning on or after January 1, 2025. The Act defines an In Scope MNE Group as an MNE Group if, with respect to any fiscal year beginning on or after the commencement date, the MNE Group has annual revenue of EUR 750 million or more in the consolidated financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. Pursuant to the In Scope MNE Group definition in the legislation, the Company has determined it is not in scope for Bermuda Corporate Income Tax as of the current reporting date.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035. As a result, management has made no provision for income taxes in the financial statements.

32. N/A

33. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes payable amounts of \$118,730 (2022: \$Nil) relating to sundry expenses accrued.

34-36. N/A

37. Letters of Credit

Refer to Balance Sheet note 1.

Notes to the Statement of Income

6-36. N/A