

AXA GENERAL INSURANCE HONG KONG LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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AXA GENERAL INSURANCE HONG KONG LIMITED
Est 1862, Incorporated In Hong Kong

Registered Office

20/F, Vertical Sq
28 Heung Yip Road
Wong Chuk Hang
Hong Kong

Executive Directors

G.T. Watson
Y. W. Wan
C.S.H. Tong
K.C.K. Lai

Independent Non-executive Directors

C.J. Ryan
P.J. Fishwick

Controllers

AXA Assurances IARD Mutuelle
AXA SA
AXA Asia SAS
T. Buberl
Y.W. Wan
C.S.H. Tong

Company Secretary

M.C. Lam

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITY

AXA General Insurance Hong Kong Limited (the “Company”) provides a comprehensive service of all the principal classes of general insurance and reinsurance business and invests in debt and equity securities.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss on page 10 and statement of comprehensive income on pages 11 of the financial statements.

During the year, dividends of HK\$0.81 per ordinary share, totaling HK\$244,000,000 were paid to the ordinary shareholder. In 2023, dividends of HK\$0.93 per ordinary share, totaling HK\$280,000,000 were paid to the ordinary shareholder.

DONATIONS

No charitable and other donations were made by the Company during the year (2023: Nil).

SHARE ISSUED IN THE YEAR

No new shares were issued by the Company during the year (2023: Nil).

DEBENTURES ISSUED IN THE YEAR

No debentures were issued by the Company during the year (2023: Nil).

EQUITY LINKED AGREEMENTS

No equity linked agreements were made by the Company during the year (2023: Nil).

DIRECTORS AND CONTROLLERS

The directors and the controllers of the Company during the year and at the date of this report are shown on page 1.

In accordance with Article 23(4) and 24 of the Company’s Articles of Association, no director will retire from office at the forthcoming annual general meeting and be offered for re-election.

DIRECTORS’ AND CONTROLLERS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACT THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY’S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Company’s business to which the Company’s, fellow subsidiaries or its parent company was a party and in which a director or a 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.

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

**DIRECTORS' AND CONTROLLERS' INTERESTS IN PROPERTY, PAYMENTS, LOANS
ADVANCED OR OBLIGATION ASSUMED**

No properties were transferred, loans advanced to or obligations assumed by or for a director or a controller of the Company, his nominees or associates (within the meaning of section 9 of the Insurance Ordinance) during the year. Amounts paid or payables to the directors or controllers of the Company for the year are shown in note 22 to the financial statements.

BUSINESS REVIEW

No business review is presented for 2024 as the Company has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of AXA SA.

DIRECTORS' INDEMNITY AND INSURANCE

The Company's Articles of Association provide that every Director may be indemnified out of the Company's assets against any liability incurred by him or her to third parties if certain conditions are met. All Directors of the Company have the benefit of directors' and officers' liability insurance as arranged by AXA SA, the ultimate holding company of the Company. Such provisions and insurance have been in force during the financial year and remain in force.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

During the year, certain directors and controllers of the Company who were directors and controllers during the year held options to subscribe for shares at fixed prices in AXA, the ultimate holding company of the Company, granted under the AXA SA Stock Option Plan. Mr. T. Buberl partially and Mr. G.T. Watson wholly exercised their options under the AXA SA Stock Option Plan to subscribe for AXA shares.

During the year, certain directors and the controllers of the Company who were directors and controllers during the year held performance shares granted under the International Performance Share Plan of AXA. Under this Plan, AXA grants to certain executives performance shares to acquire AXA shares at the end of the acquisition period without any exercise price. Mr. T. Buberl, Mr. G.T. Watson, Ms. Y.W. Wan, Ms. C.S.H. Tong and Mr. K.C.K. Lai acquired AXA shares under this Plan.

During the year, a controller of the Company who was a controller during the year held performance shares dedicated to retirement granted under the Performance Share Retirement Plan of AXA. Under this Plan, AXA grants to certain executives performance shares to acquire AXA shares at the end of the acquisition period without any exercise price. Mr. T. Buberl acquired AXA shares under this Plan.

During the year, Mr. T. Buberl, Mr. G.T. Watson, Ms. Y.W. Wan, Ms. C.S.H. Tong and Mr. K.C.K. Lai participated in the AXA Shareplan. Under this Shareplan, AXA offers employees of the AXA Group opportunity to invest and hold units in funds in this Shareplan which in turn hold AXA shares. This Shareplan enables such employees to purchase AXA shares indirectly through the funds at fixed discounts to AXA share prices.

Apart from the above, at no time during the year was the Company, its holding companies or any of its fellow subsidiaries a party to any arrangements to enable the directors and controllers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

MANAGEMENT CONTRACTS

The Company entered into investment management agreements with fellow subsidiaries, AXA IMA on 11 March 2002 and 3 July 2007 and AllianceBernstein L.P. ("Alliance") on 5 November 2005, whereby AXA IMA and Alliance undertake to provide the Company with certain investment management services. The Company entered into a Novation Agreement with AXA IMA and AXA Investment Managers Asia Limited dated 1 July 2013 (as revised on 20 December 2017 and 20 August 2020) whereby all rights and obligations of AXA IMA in the investment management agreements signed on 11 March 2002 and 3 July 2007 were novated to AXA Investment Managers Asia Limited.

With effect from 1 January 2002, the Company entered into a service agreement with a fellow subsidiary, GIE AXA, whereby GIE AXA provides the Company with certain management services.

With effect from 5 May 2021, the Company entered into a master data privacy agreement with AXA Group Operations SAS, which governs the treatment of personal data under various services rendered or to be rendered by AXA Group Operations SAS to the Company.

The Company, AXA China Region Insurance Company Limited and AXA Tian Ping Property & Casualty Insurance Co. Ltd. (安盛天平财产保险有限公司) entered into a service agreement with effect from 1 January 2020, whereby AXA Tian Ping Property & Casualty Insurance Co. Ltd. (安盛天平财产保险有限公司) provides various consultation and administration services relating to mainland China provider network development.

The Company, AXA China Region Insurance Company Limited and AXA China Region Insurance Company (Bermuda) Limited entered into an agreement with AXA Business Services Private Ltd dated 1 January 2019, as amended on 1 January 2020, whereby AXA Business Services Private Ltd provide various services such as trade support and asset servicing.

With effect from 30 July 2014, the Company entered into a service agreement with its immediate holding company, AXA Asia SAS, whereby AXA Asia SAS provides the Company with certain management services.

The Company and AXA China Region Insurance Company Limited entered into an agreement with AXA Assistance (Beijing) CO., Ltd (安盛旅行援助服务(北京)有限公司) effective from 1 February 2020, whereby AXA Assistance (Beijing) Co., Ltd provides bill payment settlement services with medical services provider in the People's Republic China.

The Company entered into a statement of work No. CTR-00170717 with AXA Group Operations effective on 1 January 2021, whereby AXA Group Operations provides ONE V2 services.

The Company, AXA China Region Insurance Company Limited, AXA China Region Insurance Company (Bermuda) Limited and AXA Wealth Management (HK) Limited entered into a service agreement with AXA Business Services Private Limited effective on 1 January 2021, whereby AXA Business Services Private Limited provides various accounting services.

AXA Concentration Risk Data Base Reporting Adherence Letter to the AXA Group Service Level Agreement was signed by the Company dated 10 June 2021.

Structuring Services Agreement was made by the Company, various AXA entities (together the "Clients") and AXA Investment Managers Paris in 2021 whereby the Clients appoint AXA Investment Managers Paris to provide and perform structuring services.

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

MANAGEMENT CONTRACTS (CONTINUED)

Securities Lending Agency Agreement was entered into by the Company, other AXA entities and AXA Investment Managers IF dated 6 December 2021.

Amendment Agreement made of 12 November 2021 with retroactive date from 1 July 2020 was made by the Company, various AXA entities and AXA Investment Managers IF where the parties amended the Derivatives Dealing Services Agreement dated 16 July 2018 as amended by a First Amendment dated 23 July 2019.

An intra-group master service agreement was entered into between the Company and AXA Group Operations Hong Kong Limited ("AXAGO HK", which was renamed to AXA Asian Markets Services Hong Kong Co., Limited on 16 January 2023) with effect from 1 January 2020 (and as amended by an amendment effective on 1 January 2020), under which AXAGO HK provided information technology services to the Company. With effect from 1 January 2023, AXAGO HK, AXA Group Operations Singapore Pte Ltd and the Company entered into a deed of separation, pursuant to which the provision and performance of infrastructure services under the said information technology services was transferred to AXA Group Operations Singapore Pte Ltd, and the provision and performance of shared asset/ application services under the said information technology services remained with AXAGO HK.

The Company and other AXA Group companies entered into Amended and Restated Master Advisory Agreement with AXA Investment Managers Paris and AXA Investment Managers UK Ltd on 1 January 2020, as amended by First Amendment on 15 July 2022 and Implementation Letter dated 5 December 2022.

The Company entered into an agreement with AXA Tianping Property & Casualty Insurance Co., Limited ("AXA Tianping") effective from 15 September 2022, whereby AXA Tianping provides claim settlement services with claims arising from accident that occurs in the Guangdong province in the People's Republic China.

A Cooperation Agreement, dated 17 Apr 2023, entered into between AXA HK (i.e. AXA China Region Insurance Company Limited and AXA General Insurance Hong Kong Limited) and AXA Macau (i.e. AXA General Insurance Hong Kong Limited – Macau Branch and AXA China Region Insurance Company (Bermuda) Limited – Macau Branch) whereby AXA HK provide intra-group support to AXA Macau via the HK Resources.

The Company entered into a statement of work No. 3 with AXA Business Services Private Limited effective from 1 June 2023, whereby AXA Business Services Private Limited provides Banca Commercial Underwriting Supporting Services.

The Company and other AXA HK entities entered into a statement of work effective 1 January 2024 with AXA Global Business Services Private Limited (Erstwhile AXA Business Services Private Limited) under the Master Services Agreement dated 1 January 2023 whereby the later provides various services, to be expired on 31 December 2026.

The Company and GIE AXA entered into a Services Agreement effective 1 January 2024 whereby the later provides the Company with advice, services and technical assistance from time to time on the terms and conditions set forth in the areas defined non-exclusively in the agreement.

Except for the above, we are not aware that other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AXA GENERAL INSURANCE HONG KONG LIMITED
REPORT OF THE DIRECTORS (CONTINUED)

STATUTORY INSURANCE

The Company has carried on the following classes of compulsory insurance during the year:

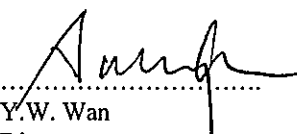
- (a) Motor third party
- (b) Pleasure craft third party
- (c) Employees' compensation
- (d) Owners' corporation liability

AUDITORS

During the year, Messrs. KPMG were appointed as auditors of the Company in place of Messrs. PricewaterhouseCoopers by the shareholder at the 2024 annual general meeting. The auditors, Messrs. KPMG will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

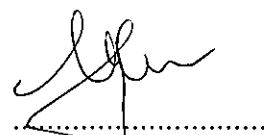
A resolution will be submitted to the shareholder of the Company to re-appoint Messrs. KPMG as auditors of the Company.

On behalf of the Board,



Y.W. Wan
Director
Hong Kong, 28 April 2025

By order of the Board,



M.C. Lam
Secretary



Independent Auditor's Report to the member of

AXA General Insurance Hong Kong Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of AXA General Insurance Hong Kong Limited ("the Company") set out on pages 10 to 95, which comprise the statement of financial position as at 31 December 2024, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory 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 its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") 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.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

Independent Auditor's Report to the member of

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

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

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 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



Independent Auditor's Report to the member of

AXA General Insurance Hong Kong Limited – continued
(incorporated in Hong Kong with limited liability)

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

- 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 Audit Committee 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 APR 2025

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Insurance revenue		5,328,089	4,859,294
Insurance service expenses	18	(4,838,190)	(4,690,067)
Net expenses from reinsurance contracts held	19	(239,154)	(45,613)
Insurance service result		250,745	123,614
Interest revenue	21.3	88,802	70,525
Other investment returns	21.3	156,430	145,978
Change in impairment on financial assets	21.3	(518)	16
Net investment result		244,714	216,519
Net finance expenses from insurance contracts issued	21.1	(87,441)	(39,251)
Net finance income from reinsurance contracts held	21.2	16,270	3,541
Net insurance finance expenses		(71,171)	(35,710)
Net insurance and investment result		424,288	304,423
Other expenses	20	(13,449)	(12,036)
Profit before taxation	22	410,839	292,387
Income tax charge	24	(45,860)	(13,729)
Profit for the year		364,979	278,658

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Profit for the year		364,979	278,658
<i>Items that may be reclassified subsequently to Profit or Loss</i>			
Change in fair value of financial instrument, including cash flow hedge reserves measured at fair value through other comprehensive income		17,200	80,642
Net finance expenses from insurance contracts issued	21.1	(1,106)	(71,485)
Net finance (expenses)/ income from reinsurance contracts held	21.2	(1,711)	9,920
Taxation related to these items		368	9,967
<i>Items that may not be reclassified subsequently to Profit or Loss</i>			
Realised capital losses on equity instruments		(14,674)	(19,838)
Change in fair value of equity instruments		48,108	(15,069)
Remeasurements of post-employment benefit obligations		1,517	518
Taxation related to these items		(5,517)	5,760
Other comprehensive income for the year, net of tax		44,185	415
Total comprehensive income for the year attributable to shareholders of the company		409,164	279,073

The notes on pages 17 to 95 are an integral part of these financial statements.

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

		As at 31.12.2024 HK\$'000	As at 31.12.2023 HK\$'000
	Notes		
ASSETS			
INTANGIBLE ASSETS	8	1,731,938	1,731,938
PLANT AND EQUIPMENT	7.1	189	956
RIGHT-OF-USE ASSETS	7.2	191	357
INVESTMENTS IN SECURITIES	9	5,754,431	3,144,230
REINSURANCE CONTRACT ASSETS	14.2(d)	414,789	423,961
DEFERRED TAX ASSETS	13	-	38,506
OTHER ASSETS			
Other receivables	11	88,746	112,292
Amount due from the ultimate holding company	11	169,923	125,461
Amounts due from fellow subsidiaries	11	17,018	68,737
Derivative financial instruments	10	31,592	8,235
Pledged bank deposits	15	86,675	78,610
Fixed term bank deposits	15	689,304	2,449,750
Cash and cash equivalents	15	528,791	1,304,053
TOTAL ASSETS		9,513,587	9,487,086

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2024

	Notes	As at 31.12.2024 HK\$'000	As at 31.12.2023 HK\$'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	16	3,735,952	3,735,952
Fair value deficits	16	(95,558)	(152,831)
Insurance finance reserves	16	23,497	25,850
Contingency reserves	16	17	-
Retained earnings		845,045	736,335
Other reserves	16	14,677	13,160
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		4,523,630	4,358,466
INSURANCE CONTRACT LIABILITIES	14.2(c)	4,346,791	4,288,266
DEFERRED TAX LIABILITIES	13	12,290	-
OTHER LIABILITIES			
Lease payable	7.2	200	364
Derivative financial instruments	10	5,575	6,063
Other payables and accruals	12	560,633	542,118
Amounts due to fellow subsidiaries	12	102	224,852
Amount due to the immediate holding company	12	1,481	4,264
Current tax payables		62,885	62,693
TOTAL LIABILITIES		4,989,957	5,128,620
TOTAL EQUITY AND LIABILITIES		9,513,587	9,487,086

The notes on pages 17 to 95 are an integral part of these financial statements.

The financial statements on pages 10 to 95 have been approved by the Board of Directors on 28 April 2025 and were signed on its behalf.

Y.W. Wan
Director

C.S.H. Tong
Director

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

Attributable to shareholders of the Company								
	Notes	Share capital HK\$'000	Fair value deficits HK\$'000	Insurance finance reserves HK\$'000	Contingency reserves HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
	Balance as at 31 December 2022 (restated)	3,735,952	(220,704)	77,261	-	12,642	754,242	4,359,393
	Profit for the year	-	-	-	-	-	278,658	278,658
	Other comprehensive income for the year	-	67,873	(51,411)	-	-	(16,565)	(103)
	Share-based compensation	-	-	-	-	518	-	518
	Dividends	-	-	-	-	-	(280,000)	(280,000)
	Balance as at 31 December 2023	3,735,952	(152,831)	25,850	-	13,160	736,335	4,358,466
	Profit for the year	-	-	-	-	-	364,979	364,979
	Other comprehensive income for the year	-	57,273	(2,353)	-	-	(12,252)	42,668
	Share-based compensation	-	-	-	-	1,517	-	1,517
	Dividends	-	-	-	-	-	(244,000)	(244,000)
	Transfer from/(to) contingency reserves	-	-	-	17	-	(17)	-
	Balance as at 31 December 2024	3,735,952	(95,558)	23,497	17	14,677	845,045	4,523,630

The notes on pages 17 to 95 are an integral part of these financial statements.

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Profit before taxation		410,839	292,387
Adjustments for:			
Investment income on financial assets	21.3	(88,802)	(70,525)
Net realised gains on financial assets		(130,694)	(48,171)
Dividend income	21.3	(51,624)	(37,191)
Change in fair value of investments in securities and derivative financial instruments at fair value through profit or loss		(22,687)	(51,885)
Change in impairment on financial assets	21.3	518	(16)
Depreciation of property, plant and equipment	7.1	767	768
Depreciation of right-of-use assets	7.2	166	274
Interest expenses on lease liabilities	7.2	12	16
Employee share-based compensation		1,517	518
Cash flows from operations before working capital changes		120,012	86,175
Decrease/ (increase) in amounts due from fellow subsidiaries		51,719	(47,811)
Increase in amounts due from the ultimate holding company		(44,462)	(66,830)
(Increase)/ decrease in other receivables		(11,726)	70,835
Decrease in amounts due to fellow subsidiaries		(224,750)	(168,320)
Decrease in amount due to the immediate holding company		(2,783)	(2,771)
Increase in other payables and accruals		18,771	51,378
Increase in insurance contract liabilities		57,419	508,373
Decrease in reinsurance contract assets		7,461	35,279
Macau complementary tax paid		(21)	-
Net cash (used in)/ generated from operating activities		(28,360)	466,308

AXA GENERAL INSURANCE HONG KONG LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Cash flows from investing activities			
Investment income received (net of investment expenses)		247,746	149,091
Dividend received from investments	21.3	51,624	37,191
Purchase of investment assets		(3,368,206)	(1,421,838)
Sale proceeds from disposals of investment assets		813,729	2,237,577
Decrease/ (increase) in fixed term deposits		1,760,446	(663,295)
Increase in pledged bank deposits		(8,065)	(17,381)
Net cash (used in)/ generated from investing activities		<u>(502,726)</u>	<u>321,345</u>
Cash flows from financing activities			
Payment of lease liabilities	7.2	(176)	(295)
Dividend payments	17	(244,000)	(280,000)
Net cash used in financing activities		<u>(244,176)</u>	<u>(280,295)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(775,262)</u>	<u>507,358</u>
Cash and cash equivalents at beginning of year		<u>1,304,053</u>	<u>796,695</u>
Cash and cash equivalents at end of year	15	<u>528,791</u>	<u>1,304,053</u>

The notes on pages 17 to 95 are an integral part of these financial statements.

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1 GENERAL INFORMATION

AXA General Insurance Hong Kong Limited underwrites all the principal classes of general insurance, such as motor, property, liability and health. The Company also invests in debt and equity securities.

The Company is a limited company incorporated in Hong Kong. The address of its registered office is 20/F, Vertical Sq, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.

These financial statements are presented in Hong Kong dollars ("HK\$"), and all values are rounded to nearest thousand, unless otherwise stated.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values, and insurance and reinsurance contracts are measured at fulfilment cash flows, as explained in the accounting policies set out in note 3.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

- Amendments to HKAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.
- Amendments to HKAS 7 - Statement of Cash Flows and HKFRS 7 - Financial Instruments: Disclosures-Supplier Finance Arrangements.
- Amendments to HKFRS 16 - Leases: Lease Liability in a Sale and Leaseback

The application of the amendments had no material impact on the Company's financial statements.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.2 New standards and interpretations not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Company. The Company’s assessment of these new standards and interpretations is set out below.

- **Amendments to HKAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**

The amendments to HKAS 21- The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, will be effective for annual periods beginning on or after 1 January 2025.

The amendments clarify when a currency is considered exchangeable into another currency, and how an entity estimates a spot rate for currencies that lack exchangeability. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate. The Company has assessed the impact on the Company’s financial statements and they are not expected to have a material impact.

- **Amendments to the Classification and Measurement Requirements for Financial Instruments in HKFRS 9 - Financial Instruments and HKFRS 7 - Financial Instruments: Disclosures**

Amendments to the Classification and Measurement Requirements for Financial Instruments in HKFRS 9 - Financial Instruments and HKFRS 7 - Financial Instruments: Disclosures will be effective on 1 January 2026, with earlier application permitted.

These amendments improve the requirements in HKFRS 9 and HKFRS 7 related to settling financial liabilities using an electronic payment system as well as to assessing contractual cash flow characteristics of financial assets with contingent features, including those with environmental, social and governance (ESG)-linked features. The amendments also modify disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The assessment of their impact on the Company’s financial statements is in progress.

- **Annual improvements to HKFRS Accounting Standards – Volume 11**

The Annual Improvements contain narrow amendments to HKFRSs and accompanying guidance as part of its regular maintenance of the standards. The amendments will be effective on 1 January 2026.

The amendments to HKFRS 1 update the wordings in paragraph B6 regarding “qualifying criteria” and added cross-reference to HKFRS 9 in paragraphs B5 and B6 to improve the consistency with the requirements of HKFRS 9 and understandability of HKFRS 1 related to hedge accounting.

The amendments to HKFRS 7 remove an obsolete reference to paragraph 27A and updated the wordings in paragraph B38 regarding “unobservable inputs” to be consistent with HKFRS 13. The amendments to the accompanying guidance on implementing HKFRS 7 clarifying that the guidance does not necessarily illustrate all the requirements in the reference paragraphs of HKFRS 7 regarding “fair value” consistent with other standards.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS
("HKFRSs") (CONTINUED)

2.2 New standards and interpretations not early adopted (continued)

- **Annual improvements to HKFRS Accounting Standards – Volume 11 (continued)**

The amendments to HKFRS 9 address a conflict between HKFRS 9 and HKFRS 15 over the initial measurement of trade receivables, and how a lessee accounts for the derecognition of a lease liability under paragraph 23 of HKFRS 9.

The amendments to HKFRS 10 clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a part is acting as a de facto agent.

The amendments to HKAS 7 replace the term "cost method" with at cost" in paragraph 37 as the definition of "cost method" has already been removed in prior years.

The assessment of its impact on the Company's financial statements is in progress.

- **HKFRS 18 - Presentation and Disclosure in Financial Statements**

HKFRS 18 - Presentation and Disclosure in Financial Statements will be effective on 1 January 2027, with earlier application permitted.

It is aimed at improving the quality and cross-industry comparability of financial reporting, notably by introducing defined subtotals in the statement of profit or loss, adding new principles for aggregation and disaggregation of information and requiring disclosures about management-defined performance measures. It will replace HKAS 1 - Presentation of Financial Statements. The assessment of its impact on the Company's financial statements is in progress.

- **HKFRS 19, Subsidiaries without public accountability: disclosure**

HKFRS 19, Subsidiaries without public accountability: disclosure will be effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. HKFRS 19 simplifies financial reporting by allowing eligible subsidiaries to apply and hence assert compliance with HKFRSs with reduced disclosures. A subsidiary may elect to apply HKFRS 19 in its consolidated, separate or individual financial statements provided that, at the reporting date: it does not have public accountability and its parent produces consolidated financial statements that are available for public use under HKFRSs. A subsidiary applying HKFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with HKFRSs that HKFRS 19 has been adopted. The assessment of its impact on the Company's financial statements is in progress.

3 MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Insurance contracts issued and reinsurance contracts held classification

In the statement of financial position, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position.

HKFRS 17 – Insurance Contracts applies to these contracts as detailed in this note.

Significant judgements and estimates are made by the Company in applying HKFRS 17. The judgements that have the most significant effects on the amounts recognized in the financial statements relate to the classification of contracts, their level of aggregation and their measurement.

In particular, the Company makes significant judgments regarding inputs, assumptions concerning the future and other sources of uncertainty at the reporting date and uses estimation techniques to measure the insurance contracts. These assumptions and estimates are reviewed on an ongoing basis, based on changes in facts and circumstances (including market changes), which leads to adjustments in the measurement of contracts.

The Company uses assumptions to project future cash flows and ensures to design them to adequately reflect any uncertainty underlying the cash flows. Non-market assumptions, based on historical data and expert judgment, include the following information: loss ratios, claims payment patterns, claims handling costs and risk adjustments.

In respect of estimation techniques used to measure the technical contracts, different actuarial projection models are applied, based on (i) the portfolios' main features (in terms of risk drivers, underwriting and claims policies), (ii) quality, relevance, and consistency of available statistical data.

The Company issues insurance contracts in the normal course of business, under which an issuer accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event (an "insured event") adversely affects this policyholder. The assessment whether a contract transfers significant insurance risk considers all substantive rights and obligations (including those arising from law or regulation) and is based on the use of judgement.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment

(a) Separating components from insurance contracts and reinsurance contracts held

HKFRS 17 applies to insurance contracts issued, including reinsurance contracts, and reinsurance contracts held. It requires separating the following components from insurance contracts: (i) embedded derivatives, if they meet certain specified criteria, (ii) distinct investment components, and (iii) distinct performance obligations to provide non-insurance goods and services. These components should be accounted for separately in accordance with the related standards.

The Company does not have material investment components or service components.

(b) Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends notably when:

- the Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For reinsurance contracts held, the cash flows are within the boundary of the reinsurance contract if the Company has a substantive right to receive services from the reinsurer or a substantive obligation to pay premiums to the reinsurer. Depending on the relationship between the contract boundary of the direct insurance contracts and that of the reinsurance contracts held, in some cases, the reinsurance treaty might offer protection for underlying insurance contracts that the Company has not issued yet. However, the carrying amount of a reinsurance contract held is nil before any cash flows occur or any service is received.

(c) Level of aggregation

The level of aggregation of contracts is the basis for measuring the contracts and their corresponding profitability. HKFRS 17 requires identifying portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together. Afterwards, each portfolio of insurance contracts shall be divided into groups based on both (1) cohort, such that each group contains contracts issued no more than one year apart, and (2) profitability, such that each group contains contracts of only one of the following three types:

- contracts that are onerous at initial recognition;
- contracts that at initial recognition, have no significant possibility of becoming onerous subsequently; and
- the remaining contracts in the cohort.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(d) The Measurement model

The Company applies the premium allocation approach ("PAA") to all the insurance contracts that it issues. This is a simplified model permitted for the measurement of the liability for remaining coverage ("LRC") provided that the measurement of the LRC does not differ materially from the building block approach ("BBA") or the coverage period is one year or less.

(i) Initial measurement

Insurance contracts

The groups of insurance contracts issued are recognized from the earliest of (i) the beginning of the coverage period of the group of contracts, which is the general case, (ii) the date when the first payment from a policyholder in the group becomes due, and (iii) for a group of onerous contracts, when the group becomes onerous.

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognizes for cash flows related to the group. The Company has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

Subsequently, the carrying amount of the LRC is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for service provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims ("LIC") is also discounted.

The Company recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The Company generally applies discounting on the LIC unless otherwise specified.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(d) The Measurement model (continued)

(i) Initial measurement (continued)

Reinsurance contracts

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

The recognition of groups of reinsurance contracts held depends on the type of coverage. When the reinsurance contract held provides proportionate coverage, the date of recognition of the group corresponds to the date when any underlying insurance contracts is recognized by the Company. When the reinsurance contract held does not provide proportionate coverage, the group of reinsurance contracts is recognized at the earliest of the beginning of the coverage period of the group of underlying insurance contracts and the date when the entity recognizes an onerous group of underlying insurance contracts.

When the Company recognizes a loss on the initial recognition of an onerous group of underlying insurance contracts or when additional onerous underlying insurance contracts are added to a group, the Company establishes a “loss-recovery component” of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. If a loss-recovery component is established for a group of reinsurance contracts held, the Company adjusts the carrying amount of the asset.

Onerous contract

A group of insurance contracts issued is onerous at initial recognition if the total fulfilment cash flow, previously recognised acquisition cash flows and any cash flows arising from the contracts is a net outflow. Groups of contracts that were not onerous on initial recognition can become onerous on subsequent measurement due to unfavourable changes in the fulfilment cash flow that relate to future service. The shortfall (or reversal of any previous shortfall) is immediately recognised in profit or loss.

Contracts measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information for planning and performance management purposes.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flow and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance).

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(d) The Measurement model (continued)

(ii) Subsequent measurement

Insurance contracts

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period, which are included in the liability for remaining coverage;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

Reinsurance contracts

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

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period; and
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

(e) Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in profit or loss and other comprehensive income ("OCI") into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(e) Presentation (continued)

(i) Insurance revenue

The insurance revenue reflects the insurance contract services provided by the Company over the period, which is derived from the reduction in the liability for remaining coverage during the reporting period, subject to corrections (adjustment of premiums, loss components) and excluding investment components (i.e. amounts to be paid to a policyholder even if an insured event does not occur).

For the contracts measured under the PAA, the insurance revenue corresponds to the amount of expected insurance coverage during the period (or passage of time if not significantly different), excluding any investment components.

(ii) Loss components

The Company assumes that no contracts are onerous at initial recognition. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in note 3.2(d) indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group as determined in note 3.2(d). Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

(iii) Insurance service expenses

Insurance service expenses arising from groups of contracts issued by the Company are recognized in profit or loss as they are incurred, excluding amounts allocated to refunds of premiums. Symmetrically to insurance revenue, the payments relating to investment components are excluded from insurance service expenses. All insurance service expenses correspond to cash outflows within the contract boundaries identified when projecting and calculating the present value of cash flows, and comprise the following items:

- Incurred claims and directly attributable expenses;
- 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;
- Changes in risk adjustments on liabilities for incurred claims;
- Losses on onerous contracts and reversals of such losses; and
- Amortisation of insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(e) Presentation (continued)

(iv) Net expenses from reinsurance contracts held

The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts. In profit or loss, net expenses from reinsurance contracts held (net income in some cases) are presented separately from the insurance service expenses and included in a single aggregate, corresponding to the net between reinsurance expenses and amounts recovered from the reinsurers, comprising the following amounts:

- Reinsurance expenses;
- Incurred claims recovery and other incurred directly attributable expenses recovery;
- Changes that relate to past service – changes in the fulfilment cash flow relating to incurred claims recovery and incurred directly attributable expenses;
- Effect of changes in the risk of reinsurers' non-performance;
- Changes in risk adjustments on assets for incurred claims.

(v) Net finance income or expenses from insurance and reinsurance contracts held

The net finance income or expenses from insurance and reinsurance contracts is presented in profit or loss and OCI with a split between insurance contracts issued and reinsurance contracts held.

This aggregate comprises the changes in the carrying amount of the groups of contracts that relate to financial risk arising from:

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

The option to disaggregate insurance (and reinsurance) financial income or expense between the statement of profit or loss and OCI is applied by the Company in order to minimize accounting mismatches between the accounting for financial assets and insurance (and reinsurance) assets and liabilities as well as limit the volatility in profit or loss (considering that many of the supporting financial assets are measured at FVOCI under HKFRS 9). The impact of changes in market interest rates on the value of insurance (and reinsurance) assets and liabilities are reflected in OCI.

Under this option, for insurance and reinsurance contracts, the difference between the valuation of the liabilities at locked-in rates (used for the unwind in the finance income or expenses) and their valuation at current rates is recognized in OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance (and reinsurance) finance income or expenses over the duration of the group of contracts. When the changes in financial risk assumptions do not have a substantial effect on amounts paid to the policyholders, the systematic allocation is determined using the discount rates at the date of the incurred claims for groups of contracts applying the PAA.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(e) Presentation (continued)

(vi) Risk adjustment

Regarding the risk adjustment, its measurement should reflect the compensation required by the Company for bearing the uncertainty around the amount and timing of the future cash flows that arise from non-financial risk as the Company fulfils insurance contracts. The Company considers the 60th to 65th percentile as the confidence level for the risk adjustment, which accounts for a line of business diversification factor and a group diversification factor to reflect the fact that adverse claims development of different classes is not perfectly correlated, adverse loss experience or large loss events hitting one class may not affect other classes, or to a lesser degree. From standalone local entity perspective (without group diversification benefit considered), the equivalent risk adjustment percentile is effectively no less than 60th percentile.

The determination of the risk adjustment follows a value-at-risk type approach, reflecting a retained confidence level with reference to the risk drivers of reserves. The value-at-risk is the maximum loss within a certain confidence level.

(vii) Discount rates

Regarding the discount rate, the Company adopts a bottom-up approach. HKFRS 17 requires the use of a market consistent yield curve factoring in the illiquidity embedded in insurance liabilities. The methodology consists of using a risk-free rate, based on swaps for Hong Kong dollar and government bonds for US dollar, and adding on an illiquidity premium allowance to reflect the illiquidity characteristics of the insurance contracts.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.2 Insurance and reinsurance contracts accounting treatment (continued)

(f) Contract modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3.3 Financial instruments

(a) Classification

Financial assets are classified in the three following measurement categories, based on the business model in which those financial assets are held and on the characteristics of their contractual cash flows:

- a financial asset is measured at amortised cost (“AC”) if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows from the assets held, and (ii) 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 (“SPPI”);
- if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (which is the major business model for AXA’s investments in debt instruments), and (ii) the contractual terms of cash flows are SPPI, the financial asset is measured at fair value through other comprehensive income (“FVOCI”) and realised gains or losses are recycled through profit or loss upon sale;
- assets not fitting either of these categories are measured at fair value through profit or loss (“FVTPL”)

In addition to the general classification guidance above, the Company uses the following classification options:

- optional FVOCI designation for investments in equity instruments (other than those held for trading), also referred to as “FVOCI without recycling”. The Company applies this optional designation for most of equity securities held;
- optional FVTPL designation (Fair Value Option for financial assets). The Company applies this option for some financial assets that otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch in profit or loss.

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.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

(b) Initial recognition and measurement

Regular-way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement

(i) *Debt instruments measured at amortised cost*

After initial measurement, debt instruments are measured at amortised cost, using the effective interest method and less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate ("EIR"). Expected credit losses are recognised in profit or loss.

(ii) *Debt instruments at FVOCI*

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

(iv) *Equity investments at FVOCI*

Equity investments at FVOCI are measured at fair value. Dividends are recognised as income in profit or loss when the Company's right to receive payment is established unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

(d) Impairment of financial instruments

The impairment applies to financial assets measured at amortised cost and debt securities measured at FVOCI.

The Company measures ECL allowances at an amount equal to:

- 12-month ECL resulting from default events that are possible within the 12 months after the reporting date and recognized for financial instruments for which the credit risk has not increased significantly since initial recognition (it is also assumed that the credit risk has not increased significantly since initial recognition if the financial instrument has low credit risk at the reporting date); or
- lifetime ECL resulting from all possible default events over the expected life of the financial instrument and calculated for financial instruments for which there have been significant increases in credit risk since initial recognition, as well as for financial instruments for which a credit event has occurred since their initial recognition.

ECL for non-insurance related receivables and lease receivables that are within the scope of HKFRS 9, typically outstanding for a relatively short period of time, are always measured at an amount equal to lifetime ECL.

Financial instruments for which 12-month ECL are recognized referred to as “Stage 1” financial instruments. Financial instruments for which lifetime ECL are recognized for a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as “Stage 2” financial instruments. Finally, financial instruments for which a credit event has occurred since their initial recognition are referred to as credit-impaired, or “Stage 3” financial instruments.

To perform the impairment stage allocation, at each reporting date, The Company assesses, for each financial instrument within the scope of the ECL calculation:

- whether the financial instrument has low credit risk;
- whether the credit risk on the financial instrument has increased significantly since initial recognition;
- whether the credit risk on the financial instrument previously classified in Stage 2 has improved since the previous reporting date; and
- whether a credit event (default) has occurred.

The approach used by AXA Group to perform the impairment stage allocation includes the following components:

- the quantitative assessment designed to detect, for all financial assets within the scope of the ECL calculation, significant increases and decreases in credit risk. This quantitative assessment is based on the AXA Group’s HKFRS 9 rating which captures all relevant information, including forward-looking information, required to identify significant changes in credit risk since initial recognition based on facts and circumstances specific to the financial asset; and
- the qualitative assessment, based on expert judgment, performed to confirm transfers between Stage 1 and Stages 2 or 3 for material exposures within the scope derived from the quantitative assessment.

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3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

(d) Impairment of financial instruments (continued)

ECL is defined at each financial reporting date based on the key inputs which are the probability of the default, the magnitude of the potential credit loss after any potential recovery and the exposure to the risk of default determined as the financial instrument's gross carrying amount plus the accrued interests at the closing date.

The amount of ECL is updated at each reporting date to reflect changes in credit risk on the concerned financial instruments. Any increase in credit risk gives rise to an additional ECL allowance. Previously recognized ECL allowances are reversed when the corresponding credit risk improves. ECL allowances and reversals are recognized in profit or loss and, as a counterpart, affect:

- for the financial instruments measured at amortised cost, their carrying value in the statement of financial position;
- for the financial instruments measured at FVOCI, the amount of unrealised gains or losses on those instruments accumulated in the OCI.

The following tables explain the changes in the ECL allowances for FVOCI debts instruments.

	Stage 1		Stage 2		Total	
	Gross carrying amount	Related ECL allowance	Gross carrying amount	Related ECL allowance	Gross carrying amount	Related ECL allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2024	2,793,108	(620)	-	-	2,793,108	(620)
Transfer to Stage 2	-	-	-	-	-	-
Originated or purchased	2,269,848	-	-	-	2,269,848	-
Matured or sold	(2,043,234)	778	-	-	(2,043,234)	778
Remeasurements	5,404	(518)	-	-	5,404	(518)
Balance as at 31 December 2024	3,025,126	(360)	-	-	3,025,126	(360)

	Stage 1		Stage 2		Total	
	Gross carrying amount	Related ECL allowance	Gross carrying amount	Related ECL allowance	Gross carrying amount	Related ECL allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2023	3,510,473	(891)	7,554	(348)	3,518,027	(1,239)
Transfer to Stage 2	-	-	-	-	-	-
Originated or purchased	1,014,542	-	-	-	1,014,542	-
Matured or sold	(1,737,548)	136	(7,354)	467	(1,744,902)	603
Remeasurements	5,641	135	(200)	(119)	5,441	16
Balance as at 31 December 2023	2,793,108	(620)	-	-	2,793,108	(620)

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

(e) Derecognition, contract modification

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the fair value of the asset.

3.4 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at FVTPL and other financial liabilities.

(a) Financial liabilities at FVTPL

A financial liability is typically designated as at FVTPL if it meets the following criteria:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases; or
- Part of a group of financial liabilities that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis; or
- Financial instruments, such as debt securities issued, containing one or more embedded derivatives significantly modify the cash flows.

Financial liabilities designated at FVTPL are carried at fair value and any gains and losses from changes in fair value are recognised as increase/ decrease in investment liabilities in profit or loss.

Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost using the effective interest method. Interest expense calculated using the effective interest method is recognized in profit or loss.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.5 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The Company has designated certain derivatives as below:

(a) Cash flow hedge

A separate component of equity, referred to as cash flow hedge reserves, is adjusted through OCI for the lower of the following amounts:

- the gain or loss on the hedging instrument accumulated since the inception of the hedge, and
- the change in fair value of the hedged item accumulated since the inception of the hedge (i.e. the present value of the cumulative change in the hedged expected future cash flows).

If the cumulative gain or loss on the hedging instrument exceeds the change in fair value of the hedged item (sometimes referred to as an 'over-hedge'), the related ineffectiveness is recognized in profit or loss. If the cumulative gain or loss on the hedging instrument is lower than the change in fair value of the hedged item (sometimes referred to as an 'under-hedge'), no ineffectiveness is recognised.

The cumulative gain or loss in shareholders' equity is recycled in the statement of profit or loss when the hedged underlying item impacts the profit or loss for the period (for example when the hedged future transaction is recognized. When a hedging instrument reaches its maturity date or is sold, or when a hedge no longer qualifies for hedge accounting, the cumulative gains or losses in shareholders' equity are released in profit or loss when the initially hedged future transaction ultimately impacts profit or loss. If the hedged future cash flows are no longer expected to occur, the cumulative gains or losses are immediately reclassified from shareholders' equity to profit or loss.

(b) Derivatives not qualifying for hedge accounting

Most of the derivatives used by the Company are purchased with a view to hedge, or for example to use such instruments as an alternative to gain exposure to certain asset classes through "synthetic positions". Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in profit or loss.

3.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.7 Fair value of financial instruments

Financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis. An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability.

3.8 Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business portfolio is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss.

3.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is also the Company’s functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, such as equities classified as FVOCI without recycling, are included in the other reserves in equity.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Alterations to office	Over the unexpired period of the lease
Furniture, fittings and equipment	20%
Motor vehicles	20%
Computer equipment	25% - 33.3%

The assets' useful lives are reviewed at each end of the reporting date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.12).

3.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of assets, liabilities and business of HSBC Insurance (Asia) Limited and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.11 Intangible assets (continued)

(b) Distribution rights

Distribution rights for the bancassurance channel acquired in a business combination are initially recognised at fair value at the acquisition date. Distribution rights have a finite useful life and are subsequently carried at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of distribution rights over their estimated useful lives of 10 years. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of distribution rights is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense, and it may be reversed in subsequent periods if the reasons for the impairment no longer exist.

(c) Computer software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives of three to four years.

3.12 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Fixed term deposits include deposits held with bank with original maturity more than three months.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

(a) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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 utilized.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax related to fair value re-measurement of investments, which are charged or credited directly to OCI or to retained earnings.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Staff pension and provident funds

The Company's major retirement schemes are defined contribution plans in Hong Kong.

The assets of these schemes are held separately from those of the Company in funds independently administered by a trustee. The Company's contributions to these schemes are expensed as incurred and for non-mandatory contributions, these may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(c) Share-based compensation

AXA Group operates a number of equity-settled, share-based compensation plans, under which the Company receives services from directors and employees as consideration for equity instruments of AXA Group. The fair value of the directors' and employees' services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be recognised as an expense in the Company's profit or loss is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

3.17 Provisions and contingent liabilities

(a) Provisions and contingent liabilities

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.17 Provisions and contingent liabilities (continued)

(b) Levies

The Company is subject to various insurance-related levies. Related provisions are provided for where there is a present obligation (legal or constructive) as a result of a past event.

3.18 Revenue recognition

Revenue is recognised as follows:

(a) Insurance revenue

The recognition of insurance revenue is illustrated in note 3.2(e)(i).

(b) Interest on financial instruments

Interest income and expenses are recognized in profit or loss under the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial assets; or
- the amortised cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

(c) Dividend income

Dividend income from equity instruments measured at FVOCI without recycling is recognized when the right to receive payment is established.

(d) Fees income

Fees income from provision of medical scheme administration services is recognised as the services are provided.

3.19 Leases

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.19 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

4.1 Insurance and reinsurance contracts

(a) Liability for remaining coverage

Measurement of the liability for remaining coverage involves explicit evaluation of group of contracts to determine whether it is onerous; and hence require recognition of a loss component. In evaluating whether a loss component is needed, considerations have been made for the impact of changes in loss trends, business mix and premium rate on the expected loss ratios when estimating fulfilment cashflows.

(b) Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Expected Loss Ratio and Bornheutter-Ferguson methods.

The main assumption underlying the development-based technique is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses based on the observed development of earlier years. Historical claims development is mainly analysed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development.

The loss-ratio-based technique is based on an a priori estimate of ultimate loss ratio of a portfolio stemming from historical data, pricing information such as change in business mix, rate changes and market claims trend as well as significant actuarial judgement.

(c) Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium. The details of methodology are provided in note 3.2(e)(vii).

(d) Risk adjustment for non-financial risk

The measurement of the risk adjustment reflects the compensation required by the Company for bearing the uncertainty around the amount and timing of the future cash flows that arises from non-financial risk as the Company fulfils insurance contracts. The changes in the risk adjustment for non-financial risk are presented in the insurance service result (i.e. they are not disaggregated into insurance service result and insurance finance income and expenses).

The coefficient of variation are formulated from the bootstrap method, and a log-normal curve selection is used to produce the corresponding risk adjustment ratios at each percentile. The details of the confidence level for risk adjustment are mentioned in note 3.2(e)(vi).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

4.2 Financial assets

(a) Impairment of financial assets

The Company recognises loss allowance for ECL on debt instruments measured at FVOCI and financial assets measured at amortised cost. The measurement of ECL require both quantitative assessments based on AXA's HKFRS 9 rating which include forward-looking information and qualitative assessment based on expert judgement. Details of the inputs, assumptions and estimation techniques used for estimating ECL are explained in note 3.3(d).

(b) Fair value of financial assets/ liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques include the use of recent arm's length transactions, net asset value reported to general partners or managers by fund administrators, discounted cash flow analysis / option pricing models, and other valuation techniques commonly used by market participants.

4.3 Deferred tax

The Company has prepared deferred tax projections to forecast the recoverability of the deferred tax asset. The projections indicate that it is probable that the deferred tax asset will be fully recovered as the tax losses can be carried forward indefinitely under current tax legislation.

4.4 Cost of intangible assets – Distribution Rights

The cost of the distribution rights is the fair value of the distribution rights for the bancassurance channel at the acquisition date, representing the net present value of projected cash flows from existing and future business distributed through the HSBC network over an estimated useful life of 10 years since 2012. This present value is calculated by reference to the premium growth rate, investment return, retention ratio, profitability, and the Company's risk-adjusted rate. As mentioned in note 3.11(b), the distribution rights are carried at cost less accumulated amortization using the straight-line method, subject to impairment tests. The amortization of the distribution rights concluded in 2022 after the initial 10-year amortization period. Following the auto-extension of the agreement, which allowed for an extension period of up to five additional years without incurring any extra costs, the agreement has been extended for a total of up to 15 years. No new distribution rights were entered into in 2024, and the balance remained nil as of year-end 2024.

4.5 Impairment of intangible assets – Distribution Rights

The Company tests whether the distribution rights have suffered any impairment, in accordance with the accounting policy stated in notes 3.11(b) and 3.12. The recoverable amount of the distribution rights has been determined based on value-in-use calculations. These calculations require the use of estimates as mentioned in note 4.4 above.

4.6 Impairment of goodwill

The Company tests whether goodwill has suffered any impairment annually or more frequently if events or changes in circumstances indicate a potential impairment, in accordance with the accounting policy stated in notes 3.11(a) and 3.12. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

5.1 Key risks arising from contracts issued

The Company issues contracts that transfer insurance risk. This section summarizes these risks and the way the Company manages them.

5.1.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insured events are random and the actual number and amount of claims and benefits will vary from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The table sets out on the geographical concentration of the Company's insurance contracts in note 5.1.1(a). The disclosure is based on the carrying amount of insurance contracts (net of reinsurance) disaggregated to location where the business is written.

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.1 Key risks arising from contracts issued (continued)

5.1.1 Insurance risk (continued)

(a) Management of insurance risks - Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant factors are the increasing level of awards for the damage suffered as a result of exposure to employers' liability and other liability claims, and the increase in the number of cases coming to court that were inactive or latent for a long period of time.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

Underwriting guideline is in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles where applicable, and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e. subrogation). The underwriting limit of each business class is established to ensure that the Company is protected adequately by the reinsurance arrangements.

The reinsurance arrangements include surplus, excess, and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than HK\$34 million per risk or HK\$38 million per event for property, HK\$74 million per risk for motor and liability, HK\$5 million per risk for travel and personal accident and HK\$3.9 million per risk for marine.

The Company entered into reinsurance agreements with its fellow subsidiaries and the ultimate holding company, including AXA SA, which has retrocessions to other retrocessionaires. The Group actively monitors the risk exposure to reinsurance counterparties to ensure that the risks retroceded are diversified. The Company believes that there is no significant concentration risk to single counterparty or group of counterparties having similar characteristics.

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.1 Key risks arising from contracts issued (continued)

5.1.1 Insurance risk (continued)

(a) Management of insurance risks - Frequency and severity of claims (continued)

The geographical concentration of the Company's insurance contract liabilities and reinsurance contract assets by type of contract and geographical location are noted below:

	2024			2023		
	Property and			Property and		
	Health	Casualty	Total	Health	Casualty	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<u>Hong Kong</u>						
Insurance	761,767	3,521,900	4,283,667	748,958	3,487,075	4,236,033
Reinsurance held	19,297	(381,544)	(362,247)	24,349	(419,892)	(395,543)
Total net insurance contracts	781,064	3,140,356	3,921,420	773,307	3,067,183	3,840,490
<u>Macau</u>						
Insurance	-	63,124	63,124	-	52,233	52,233
Reinsurance held	-	(52,542)	(52,542)	-	(28,418)	(28,418)
Total net insurance contracts	-	10,582	10,582	-	23,815	23,815
<u>Total</u>						
Insurance	761,767	3,585,024	4,346,791	748,958	3,539,308	4,288,266
Reinsurance held	19,297	(434,086)	(414,789)	24,349	(448,310)	(423,961)
Total net insurance contracts	781,064	3,150,938	3,932,002	773,307	3,090,998	3,864,305

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.1 Key risks arising from contracts issued (continued)

5.1.1 Insurance risk (continued)

(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are generally payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to IBNR. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the loss of earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims also includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the end of the reporting date. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting date.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.1 Key risks arising from contracts issued (continued)

5.1.1 Insurance risk (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

In estimating the liability for the cost of reported claims not yet paid the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 14.1 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Company's estimation technique for claims payments.

(c) Sensitivities

The impact on the value of insurance liabilities from various scenarios have been formulated. In the formulation of such impacts, it is assumed that all variables other than what is being shocked/tested remains unchanged. The table below demonstrates the effects of inflation rates within the range of +3% as well as a 5% deterioration in of the current year loss ratio.

Scenarios	2024			2023		
	Change in assumptions	Impact on		Change in assumptions	Impact on	
		profit after tax	Impact on equity		profit after tax	Impact on equity
		HKS'000	HKS'000		HKS'000	HKS'000
Inflation	+3%	(108,124)	(105,773)	+3%	(104,779)	(123,651)
Current year net loss ratio	+5%	(121,687)	(121,687)	+5%	(114,319)	(114,319)

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The important components of this financial risk are interest rate risk, credit risk, liquidity risk and currency risk.

These risks arise from open positions in interest rate, currency and equity securities, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

5.2.1 Interest rate risk

(a) Insurance contracts

Insurance liabilities may be sensitive to the level of market interest rates. However, the Company manages its interest rate risk by matching its liabilities using an asset portfolio with a duration of around 1 to 2 years. Therefore, management considers that its exposure to interest rate risk is not material.

(b) Investment portfolio

The Company is exposed to interest rate risk on the investment portfolio because any changes in interest rates would affect the value of fixed interest debt investments carried at fair value and which may differ from corresponding changes, if any, in the value of the liabilities. The Company mitigates interest rate risk through its asset liability management process.

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.1 Interest rate risk (continued)

(c) Weighted average interest rate

The table below summarizes the weighted average interest rate at the end of the reporting date by major currencies for the Company's financial assets.

As at 31 December

	HK\$ %		US\$ %		MOP %	
	2024	2023	2024	2023	2024	2023
Debt securities	2.43	2.46	3.45	2.68	-	-
Fixed term deposits	-	-	5.15	5.58	-	-

(d) Sensitivity analysis of interest rate risk

The below analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax and equity.

	2024			2023		
	Change in interest rate	Impact on profit after tax HK\$'000	Impact on equity HK\$'000	Change in interest rate	Impact on profit after tax HK\$'000	Impact on equity HK\$'000
Debt securities	+100 bps	-	(65,954)	+100 bps	-	(71,800)
Insurance and reinsurance contracts	+100 bps	5,132	31,942	+100 bps	11,677	30,949
Debt securities	-100 bps	-	65,954	-100 bps	-	71,800
Insurance and reinsurance contracts	-100 bps	(5,231)	(33,151)	-100 bps	(12,118)	(32,111)

The Company is exposed to interest rate risk on the investment portfolio because any changes in interest rates would affect the value of those debt securities carried at fair value in relation to health products with fully refundable features. As at 31 December 2024, if interest rates at that date had been 100 basis points higher/ lower with all other variables held constant, the Company's fair value deficits for the year would have been increased / decreased by HK\$65.9 million (2023: HK\$71.8 million). No profit and loss effect would as any changes in fair value of debt securities are recognised in equity.

The above table also demonstrates the effect from interest rate shocks (± 100 bps) for insurance and reinsurance contracts. The impact on the value of insurance and reinsurance contracts from various scenarios have been formulated. In the formulation of such impacts, it is assumed that all variables other than what is being shocked/tested remains unchanged.

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.2 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- reinsurance contract assets,
- premiums to be received,
- counterparty risk with respect to derivative transactions and custodian,
- bank balances and fixed term deposit held with banks, and
- investment in debt securities from issuers.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to regular review by the management. Limits on the level of credit risk are subject to approval from relevant risk committee.

Citibank N.A., whose credit rating is A+, provided safekeeping services for the Company's investment assets (bonds and equities).

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.2 Credit risk (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength prior to finalisation of any contract.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company's portfolio of financial assets is diversified along geographic, industry and product sectors. The Company has been monitoring its concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to individual counterparty. The following table summarizes the financial analysis of debt securities and cash deposits with banks and financial institutions at Company level categorised by the average of Standard & Poor's ("S&P") ratings (or equivalent when not available from S&P).

	AAA	AA	A	BBB or below	Not rated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2024						
Government bonds and other debt securities	439,998	2,176,946	187,712	113,128	-	2,917,784
Cash and fixed term deposits	-	324,991	979,271	508	-	1,304,770
Reinsurance contract assets	-	374,990	49,555	(130)	(9,626)	414,789
As at 31 December 2023						
Government bonds and other debt securities	777,407	1,545,513	172,309	173,650	-	2,668,879
Cash and fixed term deposits	-	609,675	2,981,936	240,802	-	3,832,413
Reinsurance contract assets	-	413,188	19,410	(105)	(8,532)	423,961

The Company's premium debtors are mainly unrated. To manage the credit risks of premium debtors, the Company has established credit policies that govern credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the ageing analysis of balances overdue, and the management will monitor the ageing analysis on a regular basis.

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable time.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and debt securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. In addition, the Company regularly stress tests its liquidity position.

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk (continued)

(a) The following table summarises the maturity analysis of carrying value of financial assets

As at 31 December 2024	Less than or equal to one year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Greater than five years HK\$'000	No fixed maturity HK\$'000	Total HK\$'000
Financial assets:								
Government bonds	-	1,002,024	489,354	18,894	250,975	181,813	-	1,943,060
Debt securities	258,560	487,025	26,810	64,622	15,490	122,217	-	974,724
Equity securities	-	-	-	-	-	-	228,255	228,255
Unit trust investments	-	-	-	-	-	-	2,608,392	2,608,392
Other receivables	86,062	-	-	-	-	584	2,100	88,746
Amounts due from fellow subsidiaries	17,018	-	-	-	-	-	-	17,018
Amount due from the ultimate holding company	169,923	-	-	-	-	-	-	169,923
Derivative financial instruments	22,177	-	-	9,415	-	-	-	31,592
Pledged bank deposits	86,675	-	-	-	-	-	-	86,675
Fixed term deposits with original maturities more than three months	689,304	-	-	-	-	-	-	689,304
Cash and cash equivalents	528,791	-	-	-	-	-	-	528,791
	<u>1,858,510</u>	<u>1,489,049</u>	<u>516,164</u>	<u>92,931</u>	<u>266,465</u>	<u>304,614</u>	<u>2,838,747</u>	<u>7,366,480</u>

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk (continued)

(a) The following table summarises the maturity analysis of carrying value of financial assets (continued)

As at 31 December 2023	Less than or equal to one year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Greater than five years HK\$'000	No fixed maturity HK\$'000	Total HK\$'000
Financial assets:								
Government bonds	528,539	-	93,726	487,794	18,825	439,712	-	1,568,596
Debt securities	79,221	284,469	495,025	38,047	64,487	139,034	-	1,100,283
Equity securities	-	-	-	-	-	-	185,832	185,832
Unit trust investments	-	-	-	-	-	-	289,519	289,519
Other receivables	109,608	-	-	-	-	584	2,100	112,292
Amounts due from fellow subsidiaries	68,737	-	-	-	-	-	-	68,737
Amount due from the ultimate holding company	125,461	-	-	-	-	-	-	125,461
Derivative financial instruments	-	-	-	8,235	-	-	-	8,235
Pledged bank deposits	78,610	-	-	-	-	-	-	78,610
Fixed term deposits with original maturities more than three months	2,449,750	-	-	-	-	-	-	2,449,750
Cash and cash equivalents	1,304,053	-	-	-	-	-	-	1,304,053
	<u>4,743,979</u>	<u>284,469</u>	<u>588,751</u>	<u>534,076</u>	<u>83,312</u>	<u>579,330</u>	<u>477,451</u>	<u>7,291,368</u>

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk (continued)

(b) The following table summarises the maturity analysis of contractual cash flows of financial liabilities

As at 31 December 2024	Less than or equal to one year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Greater than 5 years HK\$'000	No fixed maturity HK\$'000	Total HK\$'000
Financial liabilities:								
Lease payable	176	29	-	-	-	-	-	205
Derivative financial instruments	-	-	5,575	-	-	-	-	5,575
Other payables and accruals	560,633	-	-	-	-	-	-	560,633
Amounts due to fellow subsidiaries	102	-	-	-	-	-	-	102
Amount due to the immediate holding company	1,481	-	-	-	-	-	-	1,481
Current tax payables	62,885	-	-	-	-	-	-	62,885
	<u>625,277</u>	<u>29</u>	<u>5,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,881</u>

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk (continued)

(b) The following table summarises the maturity analysis of contractual cash flows of financial liabilities (continued)

As at 31 December 2023	Less than or equal to one year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Greater than 5 years HK\$'000	No fixed maturity HK\$'000	Total HK\$'000
Financial liabilities:								
Lease payable	176	205	-	-	-	-	-	381
Derivative financial instruments	2,176	-	3,887	-	-	-	-	6,063
Other payables and accruals	542,118	-	-	-	-	-	-	542,118
Amounts due to fellow subsidiaries	224,852	-	-	-	-	-	-	224,852
Amount due to the immediate holding company	4,264	-	-	-	-	-	-	4,264
Current tax payables	62,693	-	-	-	-	-	-	62,693
	<u>836,279</u>	<u>205</u>	<u>3,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,371</u>

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.3 Liquidity risk (continued)

(c) The following tables provide an analysis of the remaining undiscounted net cash flows by estimated timing for the insurance contract liabilities and reinsurance contract assets

	Less than or equal to one year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Greater than five years HK\$'000	No fixed maturity HK\$'000	Total HK\$'000
As at 31 December 2024								
Reinsurance contract assets	199,226	118,666	60,641	37,486	13,818	8,691	-	438,528
Insurance contract liabilities	2,728,158	804,961	464,931	270,457	129,783	135,369	-	4,533,659
As at 31 December 2023								
Reinsurance contract assets	254,072	100,460	55,575	21,105	11,381	12,522	-	455,115
Insurance contract liabilities	2,797,618	719,589	478,153	231,363	138,292	91,720	-	4,456,735

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.4 Currency risk

The Company operates in Hong Kong and its exposure to foreign exchange risk arises primarily with respect to the US dollar and the Euro. The Company also invests in assets denominated in US dollar. Foreign exchange risk also arises from recognised assets and liabilities denominated in other currencies.

The volatility arising from changes in foreign exchange rates are generally managed by matching liabilities with assets of the same currency thus ensuring that any exposures to overseas currencies are minimized. The Company's exposure to foreign currency risk within the investment portfolios supporting the Company's Hong Kong insurance operations arises primarily from purchased investments that are denominated in US dollars. The Company hedges substantially all US dollar denominated fixed-income investments supporting Hong Kong operations into HK dollars, using foreign exchange forward contracts, in order to mitigate the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates.

The tables below summarize the Company's exposure to foreign currency exchange rate risk as at 31 December. The Company's assets and liabilities at carrying amounts are included in the table, categorised by currency and presented in terms of their HK dollar equivalent carrying amounts.

As at 31 December 2024	HKD HK\$'000	USD HK\$'000	EUR HK\$'000	Others HK\$'000	Total HK\$'000
Government bonds	309,924	1,633,136	-	-	1,943,060
Debt securities	-	974,724	-	-	974,724
Equities securities	228,255	-	-	-	228,255
Unit trust investments	-	2,353,421	254,971	-	2,608,392
Reinsurance contract assets	1,396,756	(981,966)	-	(1)	414,789
Other receivables	34,795	53,101	885	(35)	88,746
Amounts due from fellow subsidiaries	17,043	-	-	(25)	17,018
Amount due from the ultimate holding company	-	-	169,923	-	169,923
Derivative financial instruments	527,586	(149,145)	(346,849)	-	31,592
Cash and fixed term deposits	348,436	951,520	2,737	2,077	1,304,770
Total assets	2,862,795	4,834,791	81,667	2,016	7,781,269

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.4 Currency risk (continued)

	HKD	USD	EUR	Others	Total
As at 31 December 2024	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Insurance contract liabilities	4,309,517	(80,737)	117,290	721	4,346,791
Lease payable	200	-	-	-	200
Derivative financial instruments	-	5,575	-	-	5,575
Other payables and accruals	468,012	98,736	(123)	(5,992)	560,633
Amounts due to fellow subsidiaries	(13)	-	-	115	102
Amount due to the immediate holding company	1,481	-	-	-	1,481
Current tax payables	62,399	-	-	486	62,885
Total liabilities	4,841,596	23,574	117,167	(4,670)	4,977,667

	HKD	USD	EUR	Others	Total
As at 31 December 2023	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government bonds	455,483	1,113,113	-	-	1,568,596
Debt securities	66,969	1,033,314	-	-	1,100,283
Equities securities	185,832	-	-	-	185,832
Unit trust investments	-	-	289,519	-	289,519
Reinsurance contract assets	1,043,367	(619,406)	-	-	423,961
Other receivables	26,703	79,296	-	6,293	112,292
Amounts due from fellow subsidiaries	68,855	-	-	(118)	68,737
Amount due from the ultimate holding company	-	-	125,461	-	125,461
Derivative financial instruments	158,160	(149,925)	-	-	8,235
Cash and fixed term deposits	984,285	2,820,181	23,932	4,015	3,832,413
Total assets	2,989,654	4,276,573	438,912	10,190	7,715,329

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5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.2 Financial risk (continued)

5.2.4 Currency risk (continued)

	HKD	USD	EUR	Others	Total
As at 31 December 2023	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Insurance contract liabilities	4,220,747	(56,853)	123,172	1,200	4,288,266
Lease payable	364	-	-	-	364
Derivative financial instruments	(325,966)	3,887	328,142	-	6,063
Other payables and accruals	490,285	49,242	2,369	222	542,118
Amounts due to fellow subsidiaries	224,827	-	-	25	224,852
Amount due to the immediate holding company	4,264	-	-	-	4,264
Current tax payables	62,399	-	-	294	62,693
Total liabilities	4,676,920	(3,724)	453,683	1,741	5,128,620

The Company has substantially hedged its US dollar exposure by cross currency swap amounting to US\$19,200,000 (equivalent to HK\$149,144,000) (2023: US\$19,200,000 (equivalent to HK\$149,925,000)) and its EUR dollar exposure by foreign exchange forward contracts amounting to EUR42,980,000 (equivalent to HK\$345,718,000) (2023: EUR37,960,000 (equivalent to HK\$327,433,000)).

5 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

5.3 Capital management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern and to comply with capital requirements specified in the Insurance Ordinance, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Company monitor capital adequacy based on the Risk-Based Capital ("RBC") rule developed by the Hong Kong Insurance Authority since the regime has come into operation on 1 July 2024. Before the implementation of Hong Kong Risk-Based Capital regime, the Company monitor capital on the basis of the solvency ratio which is above the regulatory requirement of 100%.

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6 FAIR VALUE MEASUREMENT

6.1 Fair value hierarchy

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and majority of debt securities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes other debt instruments held.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of financial instruments measured at fair value at the end of the reporting period across the above three levels of the fair value measurements hierarchy is presented in the following tables:

As at 31 December 2024	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Investment assets at FVOCI				
- Government bonds	1,943,060	-	-	1,943,060
- Other debt securities	966,771	7,953	-	974,724
- Equities securities	76,998	151,257	-	228,255
Investment assets at FVTPL				
- Unit Trust Investments	-	2,608,392	-	2,608,392
Derivatives financial instruments				
- Forward currency contracts	22,177	-	-	22,177
- Cross currency swap	-	9,415	-	9,415
- Asset swap	-	-	-	-
LIABILITIES				
Derivatives financial instruments				
- Forward currency contracts	-	-	-	-
- Asset swap	-	5,575	-	5,575

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6 FAIR VALUE MEASUREMENT (CONTINUED)

6.1 Fair value hierarchy (continued)

As at 31 December 2023	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Investment assets at FVOCI				
- Government bonds	1,568,596	-	-	1,568,596
- Other debt securities	1,018,888	81,395	-	1,100,283
- Equities securities	57,831	128,001	-	185,832
Investment assets at FVTPL				
- Unit Trust Investments	-	289,519	-	289,519
Derivatives financial instruments				
- Forward currency contracts	-	-	-	-
- Cross currency swap	-	8,235	-	8,235
- Asset swap	-	-	-	-
LIABILITIES				
Derivatives financial instruments				
- Forward currency contracts	2,176	-	-	2,176
- Asset swap	-	3,887	-	3,887

6 FAIR VALUE MEASUREMENT (CONTINUED)

6.1 Fair value hierarchy (continued)

During the year, an amount of HK\$50,195,690 (2023: HK\$183,238,006) was transferred from Level 2 to Level 1 due to the market for identical bonds became active. Meanwhile, an amount of HK\$6,189,263 (2023: HK\$5,376,763) was transferred from Level 1 to Level 2 due to the market for identical bonds became inactive. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occurred or changed in circumstances that caused the transfer.

6.2 Financial instrument in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

6.3 Financial instrument in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Fair value is derived from the model based on current market parameters such as observable yield curve.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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6 FAIR VALUE MEASUREMENT (CONTINUED)

6.4 Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are subject to enforceable master netting arrangements but not offset, as at 31 December 2024. The column ‘net amount’ shows the impact on the Company’s statement of financial position if all set-off rights were exercised.

2024	Gross amounts HK\$’000	Amounts subject to master netting arrangements HK\$’000	Net amount HK\$’000
Financial assets			
Derivative financial instruments	31,592	(5,575)	26,107
Financial liabilities			
Derivative financial instruments	5,575	(5,575)	-
2023	Gross amounts HK\$’000	Amounts subject to master netting arrangements HK\$’000	Net amount HK\$’000
Financial assets			
Derivative financial instruments	8,235	(6,063)	2,172
Financial liabilities			
Derivative financial instruments	6,063	(6,063)	-

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of the arrangement, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Company does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

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7 PROPERTY PLANT AND EQUIPMENT

7.1 Property, plant and equipment

	Alterations to office HK\$'000	Furniture, fittings and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
As at 1 January 2024	23,170	7,281	6,493	-	36,944
Additions	-	-	-	-	-
As at 31 December 2024	23,170	7,281	6,493	-	36,944
Depreciation					
As at 1 January 2024	23,170	7,281	5,537	-	35,988
Provided for the year	-	-	767	-	767
As at 31 December 2024	23,170	7,281	6,304	-	36,755
Net book amount					
As at 31 December 2024	-	-	189	-	189
As at 1 January 2024	-	-	956	-	956
	Alterations to office HK\$'000	Furniture, fittings and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
As at 1 January 2023	23,170	7,281	6,493	-	36,944
Additions	-	-	-	-	-
As at 31 December 2023	23,170	7,281	6,493	-	36,944
Depreciation					
As at 1 January 2023	23,170	7,281	4,769	-	35,220
Provided for the year	-	-	768	-	768
As at 31 December 2023	23,170	7,281	5,537	-	35,988
Net book amount					
As at 31 December 2023	-	-	956	-	956
As at 1 January 2023	-	-	1,724	-	1,724

AXA GENERAL INSURANCE HONG KONG LIMITED
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7 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

7.2 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2024 HK\$'000	2023 HK\$'000
Right-of-use assets		
Buildings	191	357
Lease liabilities		
Current	171	164
Non-current	29	200
	200	364

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2024 HK\$'000	2023 HK\$'000
Depreciation of right-of-use assets		
Buildings	166	274
Interest expenses	12	16

The total cash outflow for leases in 2024 was HK\$176,000 (2023: HK\$295,000).

(iii) The Company's leasing activities and how these are accounted for

The Company enters into a rental contract to lease an office for the Company's Macau Branch. The rental contract is typically made for fixed period of 24 months.

The lease agreement does not impose any covenants other than the security interests in the right-of-use assets that are held by the lessor. Right-of-use assets may not be used as securities for borrowing purposes.

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8 INTANGIBLE ASSETS

	Goodwill HK\$'000	Distribution rights HK\$'000	Software capitalized HK\$'000	Total HK\$'000
As at 1 January 2024				
Cost	1,731,938	1,212,948	16,483	2,961,369
Accumulated amortisation	-	(1,212,948)	(16,483)	(1,229,431)
Net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>
Year ended 31 December 2024				
Opening net book amount	1,731,938	-	-	1,731,938
Additions	-	-	-	-
Amortisation	-	-	-	-
Closing net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>
As at 31 December 2024				
Cost	1,731,938	1,212,948	16,483	2,961,369
Accumulated amortisation	-	(1,212,948)	(16,483)	(1,229,431)
Net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>
As at 1 January 2023				
Cost	1,731,938	1,212,948	16,483	2,961,369
Accumulated amortisation	-	(1,212,948)	(16,483)	(1,229,431)
Net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>
Year ended 31 December 2023				
Opening net book amount	1,731,938	-	-	1,731,938
Additions	-	-	-	-
Amortisation	-	-	-	-
Closing net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>
As at 31 December 2023				
Cost	1,731,938	1,212,948	16,483	2,961,369
Accumulated amortisation	-	(1,212,948)	(16,483)	(1,229,431)
Net book amount	<u>1,731,938</u>	<u>-</u>	<u>-</u>	<u>1,731,938</u>

8 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill and distribution rights

In accordance with the Company's accounting policy on asset impairment (see note 3.12), the carrying values of goodwill and distribution right were tested for impairment as at 31 December 2024. Note 3.11 contains information about the estimates, assumptions and judgments relating to goodwill impairment tests. Same as disclosed above, the results of the tests undertaken as at 31 December 2024 indicated no impairment charges was necessary.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates that gradually decrease to the long-term growth rate stated below over another five-year period.

For CGU with significant amount of goodwill, the long-term growth rate and discount rate used in the value-in-use calculation are as follows:

	2024	2023
Long-term growth rate	2.0%	2.0%
Pre-tax discount rate	5.4%	5.1%

Long-term growth rate is the terminal growth rate used to extrapolate cash flow projections beyond the period covered by the financial budgets approved by management. The growth rate does not exceed the long-term average growth rate for the general insurance business in which the CGU operates. The discount rate used is pre-tax and reflect specific risks relating to the relevant operating segment.

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9 INVESTMENTS IN SECURITIES

As at 31 December 2024	AC HK\$'000	FVOCI HK\$'000	FVTPL HK\$'000	Total HK\$'000
Investments in securities				
Government bonds	-	1,943,060	-	1,943,060
Other debt securities	-	974,724	-	974,724
Equities securities	-	228,255	-	228,255
Unit trust investments	-	-	2,608,392	2,608,392
Total Investments in securities	-	3,146,039	2,608,392	5,754,431

As at 31 December 2023	AC HK\$'000	FVOCI HK\$'000	FVTPL HK\$'000	Total HK\$'000
Investments in securities				
Government bonds	-	1,568,596	-	1,568,596
Other debt securities	-	1,100,283	-	1,100,283
Equities securities	-	185,832	-	185,832
Unit trust investments	-	-	289,519	289,519
Total Investments in securities	-	2,854,711	289,519	3,144,230

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Assets HK\$'000	Liabilities HK\$'000	Total HK\$'000
As at 31 December 2024			
Forward Currency contracts	22,177	-	22,177
Cross Currency Swap	9,415	-	9,415
Asset Swap	-	(5,575)	(5,575)
	31,592	(5,575)	26,017

	Assets HK\$'000	Liabilities HK\$'000	Total HK\$'000
As at 31 December 2023			
Forward Currency contracts	-	(2,176)	(2,176)
Cross Currency Swap	8,235	-	8,235
Asset Swap	-	(3,887)	(3,887)
	8,235	(6,063)	2,172

AXA GENERAL INSURANCE HONG KONG LIMITED
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11 OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Receivables arising from non-insurance contracts:		
Due from fellow subsidiaries	17,018	68,737
Due from the ultimate holding company	169,923	125,461
Other receivables	88,746	112,292
	<u>275,687</u>	<u>306,490</u>
Current portion	275,103	305,906
Non-current portion	584	584
	<u>275,687</u>	<u>306,490</u>

12 FINANCIAL LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Payables arising from non-insurance contracts:		
Amounts due to fellow subsidiaries	102	224,852
Amount due to the immediate holding company	1,481	4,264
Other payables and accruals	560,633	542,118
	<u>562,216</u>	<u>771,234</u>

In 2024, the carrying value of HK\$562,216,000 (2023: HK\$771,234,000) are not materially different from the estimated fair values, which are the amounts repayable on demand. All of the above fellow subsidiaries and the immediate holding company payables, other payables and accruals are current liabilities.

13 DEFERRED TAX

Deferred tax assets and liabilities are recoverable after more than 12 months. The gross movement on the deferred tax account is as follows:

Year ended 31 December	2024 HK\$'000	2023 HK\$'000
At beginning of the year	38,506	36,214
Tax charged to profit or loss (note 24)	(45,647)	(13,435)
Tax (charged)/ credited to OCI	(5,149)	15,727
At end of the year	<u>(12,290)</u>	<u>38,506</u>

AXA GENERAL INSURANCE HONG KONG LIMITED
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13 DEFERRED TAX (CONTINUED)

The movement in deferred tax assets during the year is as follows:

	Accruals not currently deductible and other differences HK\$'000	Unrealised appreciation of investments HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Tax effect on different charging basis HK\$'000	ECL reserves HK\$'000	Insurance finance reserves/ (deficits) HK\$'000	Realised appreciation of equity instruments, without recycling in profit or loss HK\$'000	RBC tax one-off adjustment HK\$'000	Total HK\$'000
As at 1 January 2023	523	-	1,460	92,413	(42,927)	-	(15,255)	-	-	36,214
(Charged)/credited to profit or loss	86	(2,297)	(5)	(19,140)	11,197	(3)	-	(3,273)	-	(13,435)
Credited to OCI	-	2,297	-	-	-	3	10,154	3,273	-	15,727
As at 1 January 2024	609	-	1,455	73,273	(31,730)	-	(5,101)	-	-	38,506
(Charged)/credited to profit or loss	250	8,037	(3)	(26,993)	28,702	(2)	-	(2,422)	(53,216)	(45,647)
(Charged)/ credited to OCI	-	(8,037)	-	-	-	2	464	2,422	-	(5,149)
As at 31 December 2024	859	-	1,452	46,280	(3,028)	-	(4,637)	-	(53,216)	(12,290)

The Company has prepared deferred tax projections to forecast the recoverability of the deferred tax asset. The projections indicate that it is probable that the deferred tax asset will be fully recovered as there will be sufficient future taxable profit available against which the temporary differences can be utilized.

AXA GENERAL INSURANCE HONG KONG LIMITED
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

14.1 Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the gross amount appearing in note 14.2, which includes an additional risk adjustment for non-financial risk.

All lines – gross	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Accident year	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimate of ultimate claims costs:										
- at end of reporting year	1,992,833	2,121,889	2,558,893	2,480,496	2,229,741	2,417,789	2,573,316	3,251,079	3,255,744	
- one year later	2,031,099	2,170,767	2,659,484	2,452,190	2,254,550	2,480,130	2,646,511	3,381,940		
- two years later	1,929,829	2,048,329	2,522,505	2,348,055	2,210,130	2,486,566	2,639,370			
- three years later	1,895,007	1,988,905	2,468,604	2,369,223	2,158,750	2,488,118				
- four years later	1,823,489	1,925,182	2,385,875	2,305,000	2,100,513					
- five years later	1,765,400	1,881,086	2,307,003	2,137,668						
- six years later	1,755,030	1,855,501	2,277,099							
- seven years later	1,746,872	1,851,327								
- eight years later	1,745,392									
Current estimate of cumulative claims	1,745,392	1,851,327	2,277,099	2,137,668	2,100,513	2,488,118	2,639,370	3,381,940	3,255,744	
Cumulative payments to date	(1,732,299)	(1,834,025)	(2,249,172)	(2,114,610)	(1,864,483)	(2,099,869)	(2,041,354)	(2,483,758)	(2,037,895)	
Liability recognised in the statement of financial position	13,093	17,302	27,927	23,058	236,030	388,249	598,016	898,182	1,217,849	3,419,706
Reserves in respect of prior years										40,031
Net level premium reserve										3,105
Refundable premium reserve										1,102
Provision for no claim bonus										100,548
Effect of discounting										(190,670)
Discounted present value of future cash flows for gross liabilities for incurred claims (note 14.2 (a))										3,373,822
Risk adjustment for non-financial risk (note 14.2 (a))										49,765
Total gross liabilities for incurred claims										3,423,587

AXA GENERAL INSURANCE HONG KONG LIMITED
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14. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.1 Claims development tables (continued)

All lines – gross	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Accident year	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimate of ultimate claims costs:										
- at end of reporting year	2,103,408	1,992,833	2,121,889	2,558,893	2,480,496	2,229,741	2,417,789	2,573,316	3,251,079	
- one year later	2,097,153	2,031,099	2,170,767	2,659,484	2,452,190	2,254,550	2,480,130	2,646,511		
- two years later	2,047,880	1,929,829	2,048,329	2,522,505	2,348,055	2,210,130	2,486,566			
- three years later	2,002,135	1,895,007	1,988,905	2,468,604	2,369,223	2,158,750				
- four years later	1,925,349	1,823,489	1,925,182	2,385,875	2,305,000					
- five years later	1,911,078	1,765,400	1,881,086	2,307,003						
- six years later	1,917,254	1,755,030	1,855,501							
- seven years later	1,907,470	1,746,872								
- eight years later	1,909,076									
Current estimate of cumulative claims	1,909,076	1,746,872	1,855,501	2,307,003	2,305,000	2,158,750	2,486,566	2,646,511	3,251,079	
Cumulative payments to date	(1,900,275)	(1,732,583)	(1,829,487)	(2,227,738)	(2,089,481)	(1,764,436)	(2,020,522)	(1,910,516)	(1,794,430)	
Liability recognised in the statement of financial position	8,801	14,289	26,014	79,265	215,519	394,314	466,044	735,995	1,456,649	3,396,890
Reserves in respect of prior years										36,320
Net level premium reserve										6,667
Refundable premium reserve										1,254
Provision for no claim bonus										116,907
Effect of discounting										(176,576)
Discounted present value of future cash flows for gross liabilities for incurred claims (note 14.2 (a))										3,381,462
Risk adjustment for non-financial risk (note 14.2 (a))										97,412
Total gross liabilities for incurred claims										3,478,874

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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.1 Claims development tables (continued)

All lines – net	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Accident year	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimate of ultimate claims costs:										
- at end of reporting year	1,658,800	1,696,193	1,791,770	1,849,255	1,758,848	2,149,474	2,297,166	2,798,032	2,920,811	
- one year later	1,687,148	1,792,276	1,964,925	1,910,465	1,863,005	2,222,255	2,359,116	2,899,038		
- two years later	1,644,057	1,698,027	1,898,160	1,828,727	1,819,368	2,238,451	2,353,867			
- three years later	1,608,723	1,667,550	1,875,012	1,849,411	1,772,444	2,241,962				
- four years later	1,542,279	1,613,361	1,800,432	1,781,537	1,714,414					
- five years later	1,487,218	1,569,598	1,741,241	1,642,359						
- six years later	1,476,868	1,546,838	1,710,372							
- seven years later	1,470,907	1,542,724								
- eight years later	1,469,509									
Current estimate of cumulative claims	1,469,509	1,542,724	1,710,372	1,642,359	1,714,414	2,241,962	2,353,867	2,899,038	2,920,811	
Cumulative payments to date	(1,456,924)	(1,527,440)	(1,693,452)	(1,622,571)	(1,522,447)	(1,899,970)	(1,839,341)	(2,154,304)	(1,850,818)	
Liability recognised in the statement of financial position	12,585	15,284	16,920	19,788	191,967	341,992	514,526	744,734	1,069,993	2,927,789
Reserves in respect of prior years										38,795
Refundable experience reserve										1,102
Provision for no claim bonus										100,548
Reinsurance of credit risk										-
Effect of discounting										(166,933)
Discounted present value of future cash flows for net liabilities for incurred claims										2,901,301
Risk adjustment for non-financial risk										41,623
Total net liabilities for incurred claims										2,942,924

AXA GENERAL INSURANCE HONG KONG LIMITED
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.1 Claims development tables (continued)

All lines – net	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Accident year	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Estimate of ultimate claims costs:										
- at end of reporting year	1,766,030	1,658,800	1,696,193	1,791,770	1,849,255	1,758,848	2,149,474	2,297,166	2,798,032	
- one year later	1,776,053	1,687,148	1,792,276	1,964,925	1,910,465	1,863,005	2,222,255	2,359,116		
- two years later	1,753,414	1,644,057	1,698,027	1,898,160	1,828,727	1,819,368	2,238,451			
- three years later	1,721,210	1,608,723	1,667,550	1,875,012	1,849,411	1,772,444				
- four years later	1,646,066	1,542,279	1,613,361	1,800,432	1,781,537					
- five years later	1,627,176	1,487,218	1,569,598	1,741,241						
- six years later	1,631,617	1,476,868	1,546,838							
- seven years later	1,625,558	1,470,907								
- eight years later	1,627,103									
Current estimate of cumulative claims	1,627,103	1,470,907	1,546,838	1,741,241	1,781,537	1,772,444	2,238,451	2,359,116	2,798,032	
Cumulative payments to date	(1,619,789)	(1,457,209)	(1,522,897)	(1,676,512)	(1,598,475)	(1,423,991)	(1,826,742)	(1,717,681)	(1,599,344)	
Liability recognised in the statement of financial position	7,314	13,698	23,941	64,729	183,062	348,453	411,709	641,435	1,198,688	2,893,029
Reserves in respect of prior years										35,325
Refundable experience reserve										1,254
Provision for no claim bonus										116,908
Reinsurance of credit risk										9,803
Effect of discounting										(155,224)
Discounted present value of future cash flows for net liabilities for incurred claims										2,901,095
Risk adjustment for non-financial risk										83,652
Total net liabilities for incurred claims										2,984,747

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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.2 Movement in carrying amounts

- (a) Roll-forward of net assets or liabilities for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

		Liability for remaining coverage under PAA		Liability for incurred claims under PAA	
	Notes	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk
		Total HK\$'000	Total HK\$'000	Total HK\$'000	Total HK\$'000
					Total HK\$'000
Opening liabilities as at 1 January 2024		1,287,497	8,106	3,381,462	97,412
Net balance as at 1 January 2024		1,287,497	8,106	3,381,462	97,412
Insurance revenue		(5,328,089)	-	-	-
Insurance service expenses/ (income)		1,301,946	(4,303)	3,588,194	(47,647)
-Incurred claims and other directly attributable expenses	18	-	-	3,766,450	17,192
-Changes that relate to past service - adjustments to the liabilities for incurred claims	18	-	-	(178,256)	(64,839)
-Losses on onerous contracts and reversal of such losses	18	-	(4,303)	-	-
-Amortisation of insurance acquisition cash flows	18	1,301,946	-	-	-
Net finance expenses from insurance contracts issued	21.1	-	-	74,459	-
Total Cash Flows		4,093,528	-	(3,670,293)	-
-Premiums received		5,404,276	-	-	-
-Claims and other directly attributable expenses paid		-	-	(3,670,293)	-
-Insurance acquisition cash flows		(1,310,748)	-	-	-
Closing liabilities as at 31 December 2024		1,354,882	3,803	3,373,822	49,765
Net balance as at 31 December 2024		1,354,882	3,803	3,373,822	49,765

AXA GENERAL INSURANCE HONG KONG LIMITED
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.2 Movement in carrying amounts (continued)

- (a) Roll-forward of net assets or liabilities for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

	Notes	Liability for remaining coverages under PAA		Liability for incurred claims under PAA		Total
		Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
		Total HK\$'000	Total HK\$'000	Total HK\$'000	Total HK\$'000	Total HK\$'000
Opening liabilities as at 1 January 2023		1,221,272	15,928	2,920,664	84,110	4,241,974
Net balance as at 1 January 2023		1,221,272	15,928	2,920,664	84,110	4,241,974
Insurance revenue		(4,859,294)	-	-	-	(4,859,294)
Insurance service expenses/ (income)		1,183,514	(7,822)	3,501,073	13,302	4,690,067
-Incurred claims and other directly attributable expenses	18	-	-	3,670,835	36,761	3,707,596
-Changes that relate to past service - adjustments to the liabilities for incurred claims	18	-	-	(169,762)	(23,459)	(193,221)
-Losses on onerous contracts and reversal of such losses	18	-	(7,822)	-	-	(7,822)
-Amortisation of insurance acquisition cash flows	18	1,183,514	-	-	-	1,183,514
Net finance expenses from insurance contracts issued	21.1	-	-	116,840	-	116,840
Total Cash Flows		3,742,005	-	(3,157,115)	-	584,890
-Premiums received		4,929,479	-	-	-	4,929,479
-Claims and other directly attributable expenses paid		-	-	(3,157,115)	-	(3,157,115)
-Insurance acquisition cash flows		(1,187,474)	-	-	-	(1,187,474)
Closing liabilities as at 31 December 2023		1,287,497	8,106	3,381,462	97,412	4,774,477
Net balance as at 31 December 2023		1,287,497	8,106	3,381,462	97,412	4,774,477

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.2 Movement in carrying amounts (continued)

- (b) Roll-forward of net assets or liabilities for reinsurance contracts held showing the asset for remaining coverage and the amounts recoverable on incurred claims

	Notes	Asset for remaining coverages		Amounts recoverable on incurred claims		Total HK\$'000
		Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
		Total	Total	Total	Total	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Opening assets as at 1 January 2024		102,843	-	480,367	13,760	596,970
Net balance as at 1 January 2024		102,843	-	480,367	13,760	596,970
Net income/ (expenses) from reinsurance contracts held		(563,436)	-	320,097	(5,618)	(248,957)
-Reinsurance expenses	19	(563,436)	-	-	-	(563,436)
-Claims recovered	19	-	-	338,007	2,341	340,348
-Changes that relate to past service - adjustments to incurred claims	19	-	-	(17,910)	(7,959)	(25,869)
Effect of changes in the risk of reinsurers' non-performance	19	-	-	9,803	-	9,803
Net finance income from reinsurance contracts held	21.2	-	-	9,705	-	9,705
Total Cash Flows		574,621	-	(347,451)	-	227,170
-Premiums paid		748,461	-	-	-	748,461
-Ceding commissions received		(173,840)	-	-	-	(173,840)
-Claims and other directly attributable expenses received		-	-	(347,451)	-	(347,451)
Closing assets as at 31 December 2024		114,028	-	472,521	8,142	594,691
Net balance as at 31 December 2024		114,028	-	472,521	8,142	594,691

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.2 Movement in carrying amounts (continued)

- (b) Roll-forward of net assets or liabilities for reinsurance contracts held showing the asset for remaining coverage and the amounts recoverable on incurred claims (continued)

	Notes	Asset for remaining coverages		Amounts recoverable on incurred claims		Total HK\$'000
		Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
		Total HK\$'000	Total HK\$'000	Total HK\$'000	Total HK\$'000	
Opening assets as at 1 January 2023		118,118	-	369,048	9,419	496,585
Net balance as at 1 January 2023		118,118	-	369,048	9,419	496,585
Net income/ (expenses) from reinsurance contracts held		(464,376)	-	418,087	4,341	(41,948)
-Reinsurance expenses	19	(464,376)	-	-	-	(464,376)
-Claims recovered	19	-	-	447,170	6,906	454,076
-Changes that relate to past service - adjustments to incurred claims	19	-	-	(29,083)	(2,565)	(31,648)
Effect of changes in the risk of reinsurers' non-performance	19	-	-	(3,665)	-	(3,665)
Net finance income from reinsurance contracts held	21.2	-	-	13,858	-	13,858
Total Cash Flows		449,101	-	(316,961)	-	132,140
-Premiums paid		588,287	-	-	-	588,287
-Ceding commissions received		(139,186)	-	-	-	(139,186)
-Claims and other directly attributable expenses received		-	-	(316,961)	-	(316,961)
Closing assets as at 31 December 2023		102,843	-	480,367	13,760	596,970
Net balance as at 31 December 2023		102,843	-	480,367	13,760	596,970

AXA GENERAL INSURANCE HONG KONG LIMITED
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14 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

14.2 Movement in carrying amounts (continued)

(c) Reconciliation from the Statement of Financial Position to the Notes to the Financial Statements – Insurance

	2024 HK\$'000	2023 HK\$'000
Insurance contract liabilities	4,346,791	4,288,266
Net position	4,346,791	4,288,266
Receivables arising from direct insurance and inward reinsurance operations	558,003	605,030
Payables arising from direct insurance and inward reinsurance operations	(122,522)	(118,819)
Carrying amount of insurance contracts issued, as disclosed in notes to the financial statements (note 14.2(a))	4,782,272	4,774,477

(d) Reconciliation from the Statement of Financial Position to the Notes to the Financial Statements - Reinsurance

	2024 HK\$'000	2023 HK\$'000
Reinsurance contract assets	414,789	423,961
Net position	414,789	423,961
Payables arising from outward reinsurance operations	209,550	224,225
Receivables arising from outward reinsurance operations	(29,648)	(51,216)
Carrying amount of reinsurance contracts held, as disclosed in notes to the financial statements (note 14.2(b))	594,691	596,970

AXA GENERAL INSURANCE HONG KONG LIMITED
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15 CASH AND CASH EQUIVALENTS

	2024 HK\$'000	2023 HK\$'000
Deposits with banks		
Fixed term	775,979	2,449,750
Current accounts	528,791	1,382,663
	<u>1,304,770</u>	<u>3,832,413</u>
Less: Pledged bank deposits (note a)	(86,675)	(78,610)
Less: Fixed term bank deposits with original maturity over three months	(689,304)	(2,449,750)
	<u>528,791</u>	<u>1,304,053</u>

The weighted average interest rate on fixed term deposits was 5.07% (2023: 5.54%). The average maturity on fixed term deposits was 153 days (2023: 177 days).

(Note a) The Company's Macau Branch has pledged its bank deposits of HK\$86,675,000 (2023: HK\$78,610,000) to Autoridade Monetária e Cambial de Macau as a guarantee in respect of the required technical reserves.

16 SHARE CAPITAL AND RESERVES

16.1 Share capital

	2024		2023	
	No. of shares	Share Capital HK\$'000	No. of shares	Share Capital HK\$'000
Ordinary shares, issued and fully paid:				
As at 1 January and 31 December	299,910,759	<u>3,735,952</u>	299,910,759	<u>3,735,952</u>

These shares do not have a par value. In accordance with section 135 of the Hong Kong Company Ordinance (Cap 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of the shareholder.

16 SHARE CAPITAL AND RESERVES (CONTINUED)

16.2 Nature and purpose of reserves

(a) Fair value reserves/(deficits)

The fair value reserves/(deficits) comprise the cumulative net change in the fair value of debt securities measured at FVOCI held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised or reclassified; the cumulative net change in the fair value of equity securities measured at FVOCI; and cash flow hedge reserves.

(b) Insurance finance reserves

The insurance finance reserves comprise the cumulative insurance finance income or expenses recognised in other comprehensive income.

(c) Contingency reserves

Contingency reserves ("CR") represent reserves established in accordance with Guidance Note on Reserving for Mortgage Guarantee Business ("GL6") issued by the Insurance Authority. The Company is only required to assign an amount equal to 50% of the net earned premium income from mortgage business in each year to the CR, and to maintain for a period of ten years. Withdrawals may be made where the claims incurred in any year exceed 35% of the net earned premium income in that year, and any such withdrawal shall only be made on a first-in-first-out basis. At the end of the tenth year, the amount assigned to the CR in respect of a year may, to the extent it has not already been depleted by prior withdrawals, be released. Changes in CR are recognised directly in equity. No withdrawal was made from the CR during the year ended 31 December 2024.

(d) Other reserves

Share based compensation reserve relate to the value of AXA share compensation benefits awarded to employees of the Company and recognized as an expense in profit or loss of the Company.

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17 DIVIDENDS

	2024 HK\$'000	2023 HK\$'000
Ordinary Shares		
Final, paid – HK\$0.81 per share (2023: HK\$0.93) per share	244,000	280,000

18 INSURANCE SERVICE EXPENSES

	2024 HK\$000	2023 HK\$000
Insurance service expenses		
Incurred claims and other directly attributable expenses	3,783,642	3,707,596
Changes that relate to past service - adjustments to the liabilities for incurred claims	(243,095)	(193,221)
Losses on onerous contracts and reversal of such losses	(4,303)	(7,822)
Amortisation of insurance acquisition cash flows	1,301,946	1,183,514
	<u>4,838,190</u>	<u>4,690,067</u>

19 NET EXPENSES FROM REINSURANCE CONTRACTS HELD

	2024 HK\$000	2023 HK\$000
Net expenses from reinsurance contracts held		
Reinsurance expenses - contracts measured under the PAA	563,436	464,376
Effect of changes in the risk of reinsurers' non-performance	(9,803)	3,665
Incurred claims recovery	(340,348)	(454,076)
Changes that relate to past service - adjustments to incurred claims recovery	25,869	31,648
	<u>239,154</u>	<u>45,613</u>

20 OTHER EXPENSES

	2024 HK\$000	2023 HK\$000
Non-attributable expenses	(16,081)	(28,184)
Fees Income from medical administration schemes	2,302	16,190
Exchange gains/ (losses)	330	(42)
	<u>(13,449)</u>	<u>(12,036)</u>

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21 NET INSURANCE FINANCE EXPENSES AND NET INVESTMENT RESULT

21.1 Net finance expenses/ (income) from insurance contracts issued

	2024 HK\$'000	2023 HK\$'000
Interest accreted to insurance contracts using locked-in rates	73,353	45,355
Due to changes in interest rates	1,106	71,485
Foreign exchange losses/ (gains) relating to receivables and payables arising from direct insurance and inward reinsurance operations	14,088	(6,104)
	<u>88,547</u>	<u>110,736</u>
Represented by:		
Amounts recognised in profit or loss	87,441	39,251
Amounts recognised in other comprehensive income	1,106	71,485

21.2 Net finance income/ (expenses) from reinsurance contracts held

	2024 HK\$'000	2023 HK\$'000
Interest accreted to insurance contracts using locked-in rates	11,416	3,938
Due to changes in interest rates	(1,711)	9,920
Net foreign exchange gains relating to receivables and payables arising from outward reinsurance operations	4,854	(397)
	<u>14,559</u>	<u>13,461</u>
Represented by:		
Amounts recognised in profit or loss	16,270	3,541
Amounts recognised in other comprehensive income	(1,711)	9,920

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21 NET INSURANCE FINANCE EXPENSES AND NET INVESTMENT RESULT (CONTINUED)

21.3 Interest revenue on financial assets and other investment returns

For the year ended 31 December 2024:

	FVOCI HK\$'000	FVTPL HK\$'000	Total HK\$'000
Interest revenue	88,802	-	88,802
Other Investment returns			
- Dividend Income	8,041	43,583	51,624
- Net gains on financial assets	3,588	149,793	153,381
- Net exchange losses	(14,555)	(34,020)	(48,575)
Change in impairment on financial assets	(518)	-	(518)
Amounts recognised in other comprehensive income	50,634	-	50,634
Total investment result	135,992	159,356	295,348

Represented by:

Amounts recognised in profit or loss	85,358	159,356	244,714
Amounts recognised in other comprehensive income	50,634	-	50,634

For the year ended 31 December 2023:

	FVOCI HK\$'000	FVTPL HK\$'000	Total HK\$'000
Interest revenue	70,525	-	70,525
Other Investment returns			
- Dividend Income	8,011	29,180	37,191
- Net gains on financial assets	5,425	94,631	100,056
- Net exchange gains	1,078	7,653	8,731
Change in impairment on financial assets	16	-	16
Amounts recognised in other comprehensive income	45,735	-	45,735
Total investment result	130,790	131,464	262,254

Represented by:

Amounts recognised in profit or loss	85,055	131,464	216,519
Amounts recognised in other comprehensive income	45,735	-	45,735

AXA GENERAL INSURANCE HONG KONG LIMITED
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22 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2024 HK\$'000	2023 HK\$'000
Auditors' remuneration – audit services	4,423	5,160
Depreciation of property, plant and equipment	767	768
Operating lease rental	203	215
Directors' emoluments (note a)		
- Directors' fees	373	364
- Other emoluments	4,831	4,569
Wages and salaries	292,107	275,542
Performance units plans	2,864	2,928
Contribution to defined contribution plans	23,425	21,617

The vast majority of employees of the Company are covered by defined contribution schemes. The value of plan assets held by defined benefit schemes as at 31 December 2024 totaled approximately HK\$6,681,000 (2023: HK\$7,170,000). There is no material difference between the projected benefit obligation and the fair market value of the corresponding invested plan assets at the end of the reporting date. Therefore, no asset or liability in respect of the defined benefit schemes is recorded in the statement of financial position.

(a) The breakdown directors' emoluments as at 31 December 2024 and 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Emoluments paid to or receivable by directors of the Company for their services:		
- As directors of the Company	373	364
- In connection with the management of the affairs of the Company	4,831	4,569

Estimated money value of benefits other than cash within directors' emoluments include group medical premium, group life premium, staff share options, performance share plan and child education benefits.

(b) No directors' termination benefits were paid to or receivable by directors of the Company in 2024 and 2023.

23 EQUITY COMPENSATION BENEFIT

AXA SA STOCK OPTION PLAN

Certain eligible employees of AXA Group have been granted options to subscribe to AXA shares at fixed prices in AXA SA, the ultimate holding company of the Company, under the AXA SA Stock Option Plan.

The grantee may exercise the option in accordance with the following schedule:

- 1/3 of the options granted are vested and exercisable on or after the second anniversary of the grant date
- 2/3 of the options granted are vested and exercisable on or after the third anniversary of the grant date
- All options granted are vested and exercisable on or after the fourth anniversary of the grant date.

For the 2012 plan and before, a performance condition is applied for Stock Option grant more than 5,000: the last tranche when vested will become exercisable only if the AXA share price has performed at least as well as the EuroStoxx Insurance index either since the grant date or over the last 3-year period.

For the 2013 Plan, the performance condition is applied to the last third of the grant and will become exercisable as follows:

- If the performance of the AXA share is equal to 75% of the performance of the Eurostoxx Insurance Index over the same period, 50% of the options will be exercisable
- If the performance of the AXA share is equal to 100% of the performance of the Eurostoxx Insurance Index over the same period, 100% of the options will be exercisable
- If the performance of the AXA share range between 75% and 100% of the performance of the Eurostoxx Insurance Index over the same period, the number of options exercisable will vary proportionately from 50% to 100%

23 EQUITY COMPENSATION BENEFIT (CONTINUED)

AXA SA STOCK OPTION PLAN (CONTINUED)

Since 2014 SXIP Insurance Index replaces EuroStoxx Insurance index and a new vesting schedule applies to the stock option grants:

- 1/3 of the options granted are vested and exercisable on or after the third anniversary of the grant date
- 2/3 of the options granted are vested and exercisable on or after the fourth anniversary of the grant date
- All options granted are vested and exercisable on or after the fifth anniversary of the grant date.

The exercise price of the stock options ranged from Euro 9.76 to Euro 33.78 with the average remaining anniversary of two to four years of grant date.

In 2019, in order to simplify AXA's compensation policy and in line with market practice and feedbacks of many institutional investors, AXA's Board of Directors, decided to cease awarding stock options to corporate officers and AXA employees.

AXA SHAREPLAN

For the past 31 years, the AXA Group has continuously offered employees the opportunity to become AXA shareholders through the annual employee share offering (the "SharePlan"), comprising two investment options: the Traditional Plan and the Guarantee plus Plan.

Under the AXA Shareplan, AXA offers employees of the AXA group opportunity to invest and hold units in funds in this shareplan which in turn hold AXA shares. This shareplan enables such employees to purchase AXA shares indirectly through the funds at fixed discounts to AXA share reference prices.

SHARES SUBJECT TO PERFORMANCE CONDITIONS (INTERNATIONAL PERFORMANCE SHARES AND INTERNATIONAL RESTRICTED SHARES)

Shares subject to performance conditions are designed to recognize and motivate the Group's best talents and core skills by aligning the individuals' interests with the overall performance of the AXA Group, and the corresponding operational Entity/Business Unit as well as with the stock performance of the AXA share over the medium-long term.

Since 2013, beneficiaries have received Performance Shares plans. From 2022, the Board of Directors, upon recommendation of the Compensation and Governance Committee, may grant Performance Shares to Senior Management, including members of the Management Committee and Restricted Shares to other beneficiaries.

23 EQUITY COMPENSATION BENEFIT (CONTINUED)

SHARES SUBJECT TO PERFORMANCE CONDITIONS (INTERNATIONAL PERFORMANCE SHARES AND INTERNATIONAL RESTRICTED SHARES) (CONTINUED)

Rules regarding shares subject to performance conditions:

Each beneficiary receives an initial preliminary allocation of shares subject to performance conditions (Performance Shares or Restricted Shares) which is then used as a reference to calculate the number of shares that will be definitely granted at the end of a 3-year performance period.

During the performance period, all shares subject to performance conditions initially granted, are integrally subject to performance criteria regardless of the beneficiary's status.

For Performance Shares and Restricted Shares, the achievement rate of the performance criterion (performance rate) is used to determine the number of AXA shares which will be definitively acquired by the beneficiaries at the end of the acquisition period, under the condition that the beneficiary is still employed by the AXA Group. The number of AXA shares definitively granted shall therefore be equal to the number of rights to AXA shares initially granted multiplied by the performance rate, which may not exceed 130% for the Performance Shares and 100% for the Restricted Shares.

Furthermore, for the Performance Shares and Restricted Shares, in the event that no dividend would be proposed for payment (outside regulatory constraint) by the Board of Directors to the Company shareholders for any of the fiscal years of the performance period, the number of shares definitively acquired shall be automatically divided by two.

AXA MILES

In 2012, AXA Group has announced the grant of 50 AXA Miles to all AXA Group employees. Every eligible employee was awarded 50 AXA Miles in March 2012, which convert into shares at the end of the acquisition period in March 2016. Out of the 50 AXA Miles, 25 have been granted without any particular conditions at grant date and 25 have been actually granted in March 2013 as performance conditions have been reached at that date.

In March 2016, all granted AXA Miles in 2012 were vested by eligible employees and have been converted to AXA shares.

AXA GENERAL INSURANCE HONG KONG LIMITED
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23 EQUITY COMPENSATION BENEFIT (CONTINUED)

	Number of units per plan type		
	AXA SA Stock Option Plan	AXA Performance Unit Plan/ International performance Unit Plan	AXA Miles
Outstanding as at 1 January 2023	-	8,352	-
Increase due to new appointment (acquired)	-	-	-
Granted	-	3,751	-
Exercised	-	(3,389)	-
Adjustment / transfer in	-	131	-
Expired / forfeited / transfer out	-	-	-
Outstanding as at 31 December 2023	-	8,845	-
Increase due to new appointment (acquired)	-	-	-
Granted	-	3,143	-
Exercised	-	-	-
Adjustment / transfer in	-	339	-
Expired / forfeited / transfer out	-	(2,998)	-
Outstanding as at 31 December 2024	-	9,329	-
Exercise at end of year	-	-	-

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24 INCOME TAX CHARGE

	2024 HK\$'000	2023 HK\$'000
Current tax charge	213	294
Deferred tax charge (note 13)		
Origination and reversal of temporary differences	45,647	13,435
	<u>45,860</u>	<u>13,729</u>

Tax on the Company's result before tax differs from the theoretical amount that would arise using the tax rate applicable to Hong Kong Profits Tax as follows:

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	<u>410,839</u>	<u>292,387</u>
Tax calculated at tax rates of 16.5% (2023: 16.5%)	67,788	48,244
Effects of:		
- Income not subject to tax	(41,951)	(34,260)
- Other expenses not allowable for tax purposes		109
- Different tax rate of the branch operating in other jurisdictions	(313)	(227)
- Utilization of tax losses	-	(137)
- Over provision for prior year	(272)	-
- Adjustment due to RBC adoption	20,608	-
Tax charge for the year	<u>45,860</u>	<u>13,729</u>

AXA GENERAL INSURANCE HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25 CONTINGENT LIABILITIES

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

26 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with current year presentation.

27 RELATED PARTY TRANSACTIONS

27.1 Significant related party transactions

The following is a summary of significant related party transactions that were carried out in the normal course of the Company's business:

	Notes	2024 HK\$'000	2023 HK\$'000
Premiums received on reinsurance assumed from fellow subsidiaries	a	39,833	4,217
Premiums received on reinsurance assumed from the ultimate holding company	a	41,988	61,892
Claims paid on reinsurance assumed from fellow subsidiaries	a	(6,387)	(2,353)
Claims paid on reinsurance assumed from the ultimate holding company	a	(115,183)	5,376
Commissions paid on reinsurance assumed from fellow subsidiaries	a	(12,290)	(712)
Commissions paid on reinsurance assumed from the ultimate holding company	a	(4,558)	(6,250)
Premiums paid on reinsurance ceded to fellow subsidiaries	a	(378,244)	(196,978)
Premiums paid on reinsurance ceded to the ultimate holding company	a	(261,258)	(251,055)
Claims recoverable on reinsurance ceded to fellow subsidiaries	a	169,614	156,936
Claims recoverable on reinsurance ceded to the ultimate holding company	a	104,870	58,669
Commissions received on reinsurance ceded to fellow subsidiaries	a	91,775	42,753
Commissions received on reinsurance ceded to the ultimate holding company	a	53,823	58,142
Management expenses payable in respect of group services from fellow subsidiaries	b	(105,240)	(123,498)

27 RELATED PARTY TRANSACTIONS (CONTINUED)

27.1 Significant related party transactions (continued)

The following is a summary of significant related party transactions that were carried out in the normal course of the Company's business:

	Notes	2024 HK\$'000	2023 HK\$'000
Management expenses payable in respect of group services from the immediate holding company	c	(2,590)	(6,706)
Management fees in respect of investment management services from fellow subsidiaries	d	(5,720)	(6,061)
Allocation of management expenses from fellow subsidiaries	e	(231,820)	(182,428)
Trademark fees from the ultimate holding company	f	(4,813)	(4,458)

(Note a) The Company has reinsurance agreements (treaty and facultative) with a number of fellow subsidiaries and the ultimate holding company under which the Company agrees to cede and assume premiums and liabilities in accordance with specific reinsurance schedules. Commissions are paid and received on such arrangements. Such reinsurance agreements with fellow subsidiaries are entered into in the Company's normal course of business.

(Note b) The Company entered into management service agreements with fellow subsidiaries, whereby the fellow subsidiaries undertake to provide certain management services set out in the service agreements.

(Note c) The Company entered into management service agreements with the immediate holding company, whereby the immediate holding company undertake to provide certain management services set out in the service agreements.

(Note d) The Company entered into investment management agreements with the fellow subsidiaries, whereby the fellow subsidiaries undertake to provide certain investment management services set out in the management agreements.

(Note e) Certain overhead costs borne by the fellow subsidiaries were allocated to the Company for sharing the common services and activities on time spent basis.

(Note f) The trademark fees recharged from the ultimate holding company for the provision of brand usage.

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27 RELATED PARTY TRANSACTIONS (CONTINUED)

27.2 Year-end balances with related parties

	Notes	2024 HK\$'000	2023 HK\$'000
Receivables from fellow subsidiaries arising from non-insurance operations	11	17,018	68,737
Receivables from the ultimate holding company arising from non-insurance operations	11	169,923	125,461
Payables to fellow subsidiaries arising from non-insurance operations	12	102	224,852
Payable to the immediate holding company arising from non-insurance operations	12	1,481	4,264
Receivables from fellow subsidiaries arising from outward reinsurance operations		6,462	8,079
Payables to fellow subsidiaries arising from outward reinsurance operations		93,666	79,094
Payables to the ultimate holding company arising from outward reinsurance operations		77,333	107,590
Receivables from fellow subsidiaries arising from direct insurance and inward reinsurance operations		62,075	22,999
Receivables from the ultimate holding company arising from inward reinsurance operations		-	76,072
Payables to fellow subsidiaries arising from direct insurance and inward reinsurance operations		2,001	2,119
Payables to the ultimate holding company arising from inward reinsurance operations		31,516	-
Claims reserves recoverable for reinsurance ceded to fellow subsidiaries		23,390	30,650
Claims reserves recoverable for reinsurance ceded to the ultimate holding company		164,984	173,155
Claims reserves payable for reinsurance assumed from fellow subsidiaries		7,211	4,460
Claims reserves payable for reinsurance assumed from the ultimate holding company		139,461	226,668

28 ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY

The directors regard AXA Asia SAS, a company incorporated in France, as being the immediate holding company and AXA SA, a company incorporated in France, as being the ultimate holding company and ultimate controlling party.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 28 April 2025.