

AXA WEALTH MANAGEMENT (HK) LIMITED

Directors' Report and Financial Statements
For the year ended 31 December 2024

AXA WEALTH MANAGEMENT (HK) LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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AXA WEALTH MANAGEMENT (HK) LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2024 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and the provisions of the Hong Kong Companies Ordinance.

PRINCIPAL ACTIVITY

The principal activity of AXA Wealth Management (HK) Limited (the "Company") is direct underwriting insurance of long-term life insurance business and unit-linked business.

During the year, the Company did not carry on any insurance business relating to liabilities or risks in respect of which persons were required by any ordinance to be insured.

RESULTS AND APPROPRIATIONS

The results of the Company, prepared in accordance with accounting principles generally accepted in Hong Kong, for the year ended 31 December 2024 are set out in the statement of profit or loss and statement of comprehensive income on page 8 - 9 of the financial statements.

During the year, dividends of HK\$0.25 per ordinary share, totalling HK\$50,000,000 (2023: HK\$50,000,000) were paid to the ordinary shareholder.

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.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2024 are set out in note 16 to the financial statements.

RESERVES

Movements in the reserves of the Company during the year are set out in the statement of changes in equity.

AXA WEALTH MANAGEMENT (HK) LIMITED

DIRECTORS' REPORT - continued

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

G. T. Watson
Y. W. Wan
C.S.H. Tong
C. J. Ryan
P. J. Fishwick

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

CONTROLLERS

The controllers of the Company, within the meaning of Section 9(1) of the Hong Kong Insurance Ordinance, during the year and up to the date of this report were:

AXA Assurances IARD Mutuelle
AXA SA ("AXA")
AXA ASIA SAS
AXA China Region Limited
AXA China Region Insurance Company (Bermuda) Limited (became a controller on 24 June 2024)
AXA China Region Insurance Company Limited (became a controller on 24 June 2024)
T. Buberl
Y. W. Wan
C.S.H. Tong

AXA WEALTH MANAGEMENT (HK) LIMITED

DIRECTORS' REPORT - continued

DIRECTORS' AND CONTROLLERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS 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, its holding companies or its fellow subsidiary 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.

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 payable to the Directors or Controllers of the Company for the year are shown in note 9 and 23 to the financial information.

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.

DIRECTORS' AND CONTROLLERS' INTERESTS IN ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

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 and Ms. C.S.H. Tong 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 and Ms. C.S.H. Tong 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 WEALTH MANAGEMENT (HK) LIMITED

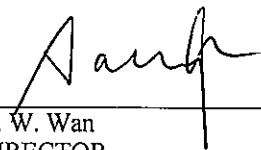
DIRECTORS' REPORT – continued

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.

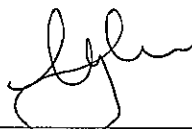
A resolution will be submitted to the shareholder of the Company to re-appoint Messrs. KPMG as auditors of the Company.

On behalf of the Board



Y. W. Wan
DIRECTOR

20 APR 2025



M. C. Lam
SECRETARY

20 APR 2025

Independent auditor's report to the member of
AXA Wealth Management (HK) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of AXA Wealth Management (HK) Limited ("the Company") set out on pages 8 to 74, which comprise the statement of financial position as at 31 December 2024, the statement of profit or 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 Wealth Management (HK) 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.



AXA WEALTH MANAGEMENT (HK) LIMITED

**Independent auditor's report to the member of
AXA Wealth Management (HK) Limited (continued)**
(Incorporated in Hong Kong with limited liability)

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

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

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

28 APR 2025

AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
Insurance revenue	7	100,930	123,130
Insurance service expenses	17.2	(77,555)	(81,193)
Net expenses from reinsurance contracts held	17.3	(9,959)	(7,021)
Insurance service result		13,416	34,916
Investment return	8	380,984	392,146
Net finance expenses from insurance contracts issued	8	(366,787)	(367,564)
Net finance expenses from reinsurance contracts held	8	(1,162)	(1,577)
Net change in investment contract liabilities	8	(7,536)	(9,947)
Net financial result	8	5,499	13,058
Fee income		654	534
Other income		18	578
Other operating expense		(2,298)	(1,329)
Profit before taxation	9	17,289	47,757
Taxation	10	244	(3,973)
Profit for the year		17,533	43,784

The notes on pages 14 to 74 are an integral part of these financial statements.

AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended <u>31.12.2024</u> HK\$'000	Year ended <u>31.12.2023</u> HK\$'000
	<u>Notes</u>		
Profit for the year		17,533	43,784
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net finance income/(expenses) from insurance contracts issued	8	804	(42)
Net finance income/(expenses) from reinsurance contracts held	8	1,826	(3,194)
Taxation related to these items		(434)	534
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		2,196	(2,702)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		19,729	41,082

AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	<u>Notes</u>	<u>At</u> <u>31.12.2024</u> HK\$'000	<u>At</u> <u>31.12.2023</u> HK\$'000
<u>ASSETS</u>			
INTANGIBLE ASSETS	12	95	173
RIGHT-OF-USE ASSETS	14	16,733	4,837
INVESTMENTS IN SECURITIES	13	4,457,492	4,608,907
REINSURANCE CONTRACT ASSETS	17	12,289	20,111
OTHER ASSETS			
Debtors and prepayments, unsecured	21	27,227	18,534
Amount due from the immediate holding company	21	4,388	227
Amount due from intermediate holding company	21	227	-
Fixed term bank deposits	20	276,030	261,208
Cash and cash equivalents	20	404,770	423,471
TOTAL ASSETS		<u>5,199,251</u>	<u>5,337,468</u>

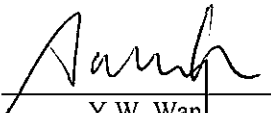
AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF FINANCIAL POSITION - continued AT 31 DECEMBER 2024

	Notes	At 31.12.2024 HK\$'000	At 31.12.2023 HK\$'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	16	200,000	200,000
Reserves			
Insurance finance reserve	16	22,221	20,025
Retained earnings		947,979	980,446
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,170,200	1,200,471
INSURANCE CONTRACT LIABILITIES	17	3,673,360	3,732,339
REINSURANCE CONTRACT LIABILITIES	17	81,269	92,155
INVESTMENT CONTRACT LIABILITIES	18	103,775	105,302
DEFERRED TAX LIABILITIES	15	127,423	150,624
OTHER LIABILITIES			
Creditors and accrued charges	21	15,480	15,994
Lease payable	14	16,797	4,967
Amounts due to fellow subsidiaries	21	2	30,771
Current tax payables		10,945	4,845
TOTAL LIABILITIES		4,029,051	4,136,997
TOTAL EQUITY AND LIABILITIES		5,199,251	5,337,468

The notes on pages 14 to 74 are an integral part of these financial statements.

The financial statements on pages 8 to 74 were approved by the Board of Directors for issue on **23 APR 2025** and were signed on its behalf by:


Y.W. Wan
CHIEF EXECUTIVE OFFICER


C.S.H. Tong
DIRECTOR

AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Attributable to shareholders of the Company			Total HK\$'000
		Share capital HK\$'000	Insurance finance reserve HK\$'000	Retained earnings HK\$'000	
Balance at 1 January 2023		200,000	22,727	986,662	1,209,389
Profit for the year		-	-	43,784	43,784
Other comprehensive income for the year		-	(2,702)	-	(2,702)
Dividends	11	-	-	(50,000)	(50,000)
Balance at 31 December 2023		200,000	20,025	980,446	1,200,471
Profit for the year		-	-	17,533	17,533
Other comprehensive income for the year		-	2,196	-	2,196
Dividends	11	-	-	(50,000)	(50,000)
Balance at 31 December 2024		200,000	22,221	947,979	1,170,200

The notes on pages 14 to 74 are an integral part of these financial statements.

AXA WEALTH MANAGEMENT (HK) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
	<u>NOTES</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,289	47,757
Adjustments for:		
Net realised and unrealised gains on investments	(344,309)	(344,274)
Amortization of intangible assets	78	(11)
Depreciation of right-of-use assets	5,824	5,788
Interest expenses on leases payable	160	134
Cash flows used in operations before working capital changes	(320,958)	(290,606)
(Increase)/Decrease in debtors and prepayments	(10,616)	7,579
Increase in amount due from an immediate holding company	(10,210)	(225)
Increase in amount due from an intermediate holding company	(227)	-
Decrease in amounts due from fellow subsidiaries	-	4,022
(Decrease)/Increase in insurance and reinsurance contracts	(59,413)	16,765
Decrease in creditors and accrued charges	(514)	(7,941)
(Decrease)/Increase in amounts due to fellow subsidiaries	(30,769)	22,877
(Decrease)/Increase in investment contract liabilities	(1,527)	4,284
Net cash used in operations	(434,234)	(243,245)
Hong Kong profits tax paid	(17,292)	(9,487)
NET CASH USED IN OPERATING ACTIVITIES	(451,526)	(252,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20,618	12,185
Increase in fixed term bank deposits	(14,822)	(49,812)
Proceeds from sale of investments in securities	1,035,001	891,671
Purchase of investments in securities	(557,972)	(512,317)
NET CASH GENERATED FROM INVESTING ACTIVITIES	482,825	341,727
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(50,000)	(50,000)
NET CASH USED IN FINANCING ACTIVITIES	(50,000)	(50,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,701)	38,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	423,471	384,476
CASH AND CASH EQUIVALENTS AT END OF YEAR	404,770	423,471

The notes on pages 14 to 74 are an integral part of these financial statements.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. With effect from 24 June 2024, the immediate holding company was changed from AXA China Region Limited to AXA China Region Insurance Company Limited, incorporated in Hong Kong and its ultimate controlling party is AXA, incorporated in France. The address of the registered office and the principal place of business of the Company is 20th Floor, Vertical Sq., 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.

The principal activity of the Company is direct underwriting insurance of long-term life insurance business and unit-linked business.

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

(a) New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for the 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.

(b) 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.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

(b) New standards and interpretations not early adopted - continued

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 HKFR 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.

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.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION

The financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the provisions of the Hong Kong Companies Ordinance.

Basis of preparation

The material accounting policies adopted are as follows:

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held

Portfolios of insurance contracts and investment contracts with discretionary participation features (DPF) 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 latest best estimate assumptions (historical data and expert judgment), include the following information: loss ratios, best estimate schedule of lapses, policyholder behavior (e.g. dynamic lapses, election to guaranteed annuity), and management actions (e.g. discretionary benefits distribution policy).

In respect of estimation techniques used to measure the non-Life insurance 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 over time of available statistical data, (iii) selection of relevant actuarial assumptions and models, and (iv) ability to economically interpret and justify the projected range of results, both quantitatively and qualitatively.

In respect of estimation techniques used to measure the Life and Savings contracts, they are based on projections of the key components of statutory financial statements, namely income or expenses that relate to policyholders, beneficiary obligations and assets backing those liabilities.

The main assumptions that may generate material changes in the estimate of the future cash flows relate to (i) mortality, morbidity, and longevity rates, (ii) policyholder behavior (due to lapse and surrender), and (iii) overhead expenses.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(a) Definition and classification

An insurance contract is a contract 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 a significant insurance risk considers all substantive rights and obligations (including those arising from law or regulation) and is based on the use of judgement. In substance, insurance contract services provided to a policyholder include the insurance coverage and may also include an investment-return service, corresponding to the generation of an investment return for the policyholder having underwritten an insurance contract without direct participation features, and an investment-related service corresponding to the management of underlying items on behalf of the policyholder having underwritten an insurance contracts with direct participation features.

Insurance contracts with direct participation features

The Company classifies as insurance contract with direct participation features (i.e. direct participating contract) a contract for which (i) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items, (ii) the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and (iii) the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. In addition to the transfer of significant insurance risk to the issuer, a direct participating contract is therefore based on a substantially investment-related service under which an entity promises an investment return on underlying items (the link must be enforceable), as well as on a contractually specified participation. The underlying items determine some of the amounts payable to a policyholder and can comprise any items (e.g. a reference portfolio of assets, technical items, the net assets of the entity, or a specified subset of the net assets of the entity). The Company assesses whether the conditions above are met using its expectations at inception of the contract and needs not reassess the conditions afterwards unless the contract is modified.

Insurance contracts without direct participation features

The Company classifies as insurance contract without direct participation features an insurance contract that is not an insurance contract with direct participation features, namely:

- an insurance contract with indirect participation features (i.e. indirect participating contract) because the payment to policyholders depends upon the return on underlying items, without meeting the criteria defined for insurance contracts with direct participation features; or
- an insurance contract without any participation features (i.e. non-participating contract) as the payment to policyholders does not depend upon the return on underlying items.

Investment contracts with discretionary participation features

The Company classifies as investment contract with discretionary participation features a financial instrument that provides a particular investor with the contractual right to receive both an amount not subject to the discretion of the issuer (usually the account value or the value of the unit-linked) and an additional amount subject to the discretion of the issuer, which is expected to be a significant portion of the total contractual benefits. Even though these contracts do not meet the definition of an insurance contract (as they do not include a transfer of significant insurance risk), HKFRS 17 applies to those contracts as the Company also issues insurance contracts. Following HKFRS 17 guidance, the investment contracts with discretionary participation features issued by the Company have been assessed as meeting the criteria of insurance contracts with direct participation features.

Furthermore, as described in Note 3.2, the Company holds investments contracts with no discretionary participation features for which HKFRS 9 – Financial Instruments applies.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(b) Separating components from insurance and reinsurance contracts

The following components are separated from contracts: (i) distinct 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 are accounted for separately by the Company in accordance with the related standards.

After having performed this separation, the Company applies HKFRS 17 to all remaining components of the host insurance contract. All these remaining components, including embedded derivatives, investment components and performance obligations to provide non-insurance goods and services that have not been separated from the host contract, are considered as a single insurance contract in substance.

(c) Level of aggregation

The level of aggregation of contracts is the basis for measuring the contracts and their corresponding profitability. To define the level of aggregation to be used, the Company applies the process hereafter:

- first, portfolios of contracts are identified, each of them only comprising contracts that are subject to similar risks and managed together;
- then, these portfolios are broken down by annual cohort (HKFRS 17 as issued by the HKICPA preventing contracts issued more than one year apart from being included in the same group);
- finally, a further split is performed depending on the level of profitability of contracts
 - Any contracts that are onerous on initial recognition;
 - any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
 - any remaining contracts in the portfolio

(d) Initial recognition

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, the date when this group becomes onerous.

For investment contracts with discretionary participation features, the date of initial recognition is the date when the Company becomes party to the contract.

(e) The General Measurement Model or “BBA”

HKFRS 17 requires applying by default the General Measurement Model of insurance contracts, called the “Building Block Approach” (“BBA”) as it is based on the following building blocks:

- the Fulfilment Cash Flows (“FCF”), which comprise:
 - probability-weighted estimates of future cash flows;
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
 - a risk adjustment for non-financial risk;
- the Contractual Service Margin (“CSM”), which is calculated at inception as the difference between the premium paid by the policyholder and the expected FCF, and corresponds to the present value of future expected profits.

The BBA mainly applies to the long-term health business, some life & savings contracts which do not qualify for the use of Variable Fee Approach (“VFA”) and long term reinsurance treaties.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(e) The General Measurement Model or “BBA” - continued

(i) Insurance acquisition cash flows (“IACF”)

The insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts. When these IACF are incurred prior to the date of initial recognition of the group of insurance contracts, such IACF are recognized as an asset, which is deducted from the carrying amounts of insurance contracts. The recoverability of assets for IACF is assessed at the end of each reporting period, if facts and circumstances indicate that the asset may be impaired. If an impairment loss is identified, the carrying amount of the asset for IACF is adjusted and the impairment loss is recognized in the statement of profit or loss. When the group of insurance contract is recognized, the corresponding asset for IACF is derecognized and included in the measurement of that group.

(ii) Estimates of future cash flows

The FCF notably include all the probability-weighted estimates of future cash flows within the boundary of each contract already recognized. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a 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.

The unbiased estimate of the expected future cash flows within the boundary of insurance contracts, including the cost of options and guarantees embedded in the contract, to the extent that those options and guarantees are not separated from the insurance contract, are based on a probability-weighted mean of the full range of possible outcomes to factor the uncertainty about the timing and amounts of the cash flows, determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables reflecting conditions existing at the measurement date.

The cash flows attributable to the group of insurance contracts include premiums from the policyholders, claim payments (including reported, incurred claims for events that have occurred but for which claims have not been reported and all the future claims for which the Company has a substantive obligation net of recoveries from claims), profit sharing to policyholders, as well as payments arising from the policyholders exercising options, directly attributable expenses and commissions, costs related to investment activities performed for the benefit of policyholders (i.e. including investment-return services and investment-related services).

The following cash flows are not included in the contracts boundary: investment returns as they are recognized, measured and presented separately under other applicable HKFRSs, costs of investment activities performed for the benefit of shareholders, payments or receipts that arise under reinsurance contracts held (as they are accounted for separately), those that may arise from future insurance contracts, overheads that do not provide any economic benefits to fulfilling insurance contracts, income tax payments and receipts the Company does not pay or receive in a fiduciary capacity, cash flows arising from components separated from the insurance contracts and accounted for using other applicable HKFRSs.

If insurance premiums are first collected by an intermediary and then transferred to the Company at a later date, the premium receivables from the intermediary are generally accounted for as future cash flows within the boundary of insurance contracts included in the measurement of the corresponding group of insurance contracts applying HKFRS 17.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(e) The General Measurement Model or “BBA” - continued

(iii) Time value of money and financial risks related to the future cash flows

The Company applies discount rates to the estimates of the future cash flows to reflect the time value of money and financial risks related to the future cash flows. The method of estimating the discount rates is detailed in Note 4.

(iv) Risk adjustment for non-financial risk (“RA”)

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 method of determining the RA is detailed in Note 4.

(v) CSM

For a group of insurance contracts, the CSM represents the unearned profit attributable to the shareholders. At inception, the CSM is the amount that offsets the FCF, less the derecognition of assets for IACF (see above), or the value of the Company's rights in excess of the value of its obligations under the insurance contracts. On the other hand, the CSM cannot be negative. Consequently, if the expected cash outflows exceed the expected cash inflows, the group of contracts is onerous and the loss, which corresponds to the expected net cash outflow, is expensed immediately in the statement of profit or loss.

At the end of each subsequent reporting period, the Company remeasures the liability for remaining coverage (“LRC”), which comprises the FCF related to future services and the CSM of the group of contracts at that date. Hence, the CSM is adjusted at each subsequent reporting period for changes in expected future cash flows driven by changes in technical assumptions (death, morbidity, longevity, surrenders, expenses, future premiums). Interest is also accreted on the CSM at rates locked in at initial recognition of a group of contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows).

Moreover, the CSM is progressively recognized and included in insurance revenue in the statement of profit or loss over the coverage period of insurance contracts (refer to Note 3.16). The portion of the CSM to be released as part of insurance revenue for a reporting period, which reflects the performance of insurance contract services, is based on coverage units. In practice, the Company:

- identifies the total number of coverage units for each group of contracts, which is the quantity of services provided for the insurance contracts belonging to the group over the expected coverage period;
- allocates the CSM at the end of the reporting period (before having recognized any amounts in the statement of profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current reporting period and expected to be provided in the future; and
- recognizes the amount of CSM allocated to the coverage units provided in the current reporting period in the statement of profit or loss.

Given the variety of insurance contracts, the Company exercises its judgment to define coverage units, considering both the level of coverage defined within the contract (e.g. a death benefit over a fixed term, the policyholders' account value, or a combination of guarantees) and the expected coverage duration of the contract.

However, this release of the CSM is not applicable if there are adverse changes in future cash flows greater than the remaining CSM. In this case, the group of contracts becomes onerous, and the loss is immediately recognized in the statement of profit or loss.

When a group of insurance contracts is onerous, on initial recognition or subsequently, the LRC includes a loss component reflecting the loss recognized in the statement of profit or loss. As long as the group of contracts remains onerous, subsequent changes in the amount of loss component are immediately allocated to the statement of profit or loss and OCI.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held – continued

(e) The General Measurement Model or “BBA” - continued

(vi) Liabilities for incurred claims (“LIC”)

After initial recognition of a group of insurance contracts, the carrying amount of the group at each reporting date is the sum of two different components: the LRC, that relates to the remaining coverage (see above) and the LIC, which corresponds to the FCF related to past services allocated to the group.

The LIC reflects the Company’s obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses, as well as to pay amounts relating to other insurance contract services already provided or any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the LRC.

(vii) Loss components

For contracts not measured under the Premium Allocation Approach, the Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Company’s share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

(f) Premium Allocation Approach (“PAA”)

The Premium Allocation Approach is used for some short-term Protection and Health businesses.

This is a simplified model permitted for the measurement of the LRC provided that the measurement of the LRC does not differ materially from the BBA or the coverage period is one year or less. 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 recognised 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 liability for remaining coverage 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 recognises 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 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 does not apply discounting on LIC because the Company expects that the incurred claims not yet paid will be settled within 1 year.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(g) Measurement with the VFA

The VFA applies to Unit-Linked contracts. This measurement model is mandatory for insurance contracts with direct participation features and investment contracts with discretionary participation features and aims at adjusting the CSM to reflect the variable nature of the fee. The adjustment equals to the entity's share of the change in fair value of the underlying items as explained below.

The VFA is derived from the BBA to the extent that it is also based on a building block approach. As such, the principles described here above for the BBA also apply, meaning that the liabilities are also made of FCF and a CSM. At initial recognition, there are no differences between the BBA and the VFA. However, the methodology is different for subsequent measurement since the CSM under the VFA absorbs (excluding the Company's share):

- the experience variance of the period generated by underlying items;
- the consequences of changes in both technical and financial assumptions;
- the effect of changes in financial risks not arising from underlying items (such as options and guarantees).

(h) Derecognition of insurance contracts

An insurance contract is derecognized from the group of contracts to which it belongs in case of extinguishment, transfer, or a modification of its terms in a such a way that a new contract is recognized in a new group. The derecognition of insurance contracts leads to eliminate their FCF and adjust the CSM of the group of contracts instead of generating a direct and immediate effect in the statement of profit or loss, unless the group of contracts becomes onerous or empty. Depending on the cause of derecognition, the CSM of the group of contracts is adjusted:

- in case of extinguishment of an insurance contract, by the same amount eliminated from the FCF;
- in case of a portfolio transfer to a third party, by the difference between the amount eliminated from the FCF and the premium charged by the third party;
- in case of a modification of insurance contracts (requiring a derecognition followed by a recognition in a new group of contracts), by the difference between the amount eliminated from the FCF and any additional premium charged to the policyholder as a result of the modification. In practice, this means that the global adjustments of CSM generated by the modification is split between the initial group of contracts and the new one, depending on the hypothetical premium that the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification.

Finally, if an insurance contract is derecognized because of its transfer to a third party or a modification, the remaining amount previously recognized in Other Comprehensive Income ("OCI") is reclassified in the statement of profit or loss when the Building Block Approach applies but remains in OCI when the VFA applies.

(i) Reinsurance contracts

The Company assumes and cedes reinsurance in the normal course of business. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other companies have underwritten leading to the recognition of groups of reinsurance contracts issued. Ceded reinsurance refers to the transfer of insurance risks, along with the related premiums, to other reinsurers who will assume the risks as the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk underwritten, leading to the recognition of groups of reinsurance contracts held.

Both groups of reinsurance contracts issued and groups of reinsurance contracts held are subject to the BBA or the PAA described in the previous paragraphs provided that there is a transfer of significant insurance risk; in any case, they are not eligible to the VFA as they are not insurance contracts with direct participation features. As the specificities of the treaties can affect their classification, each reinsurance contract is subject to a detailed analysis by the Company in order to determine the appropriate accounting treatment.

Whereas the recognition and measurement of reinsurance contracts issued is similar to insurance contracts issued, the reinsurance contracts held have some specificities which are described hereafter.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held – continued

(i) Reinsurance contracts - continued

Date of initial recognition

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 contract 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.

Boundary of contract

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.

Measurement

Similarly to underlying insurance contracts, PAA is used for short term reinsurance coverages with one year or less, while long term coverages are measured with the BBA.

The measurement of reinsurance contracts held follows a mirroring principle of the underlying insurance contracts leading to estimate the present value of the future cash flows of the reinsurance contract held using assumptions consistent with those used for the underlying insurance contracts. Thus, the reinsurance contract asset is derived using the same assumptions as those used by the Company for the underlying insurance contracts as these are the ones used to determine the expected reinsurance recoveries. In practice, some reinsurance contracts held by the Company provide cover for underlying contracts that are included in different groups.

However, using consistent assumptions does not imply the use of the same assumptions as those used for measuring the underlying contracts if those assumptions are not valid for the reinsurance contract held. In practice, the use of the same discount rate might not be appropriate, especially if the reinsurance contract is entered into during the coverage period of the underlying contracts. In addition, the cash flows from the reinsurance contract held include an adjustment for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

At inception, the reinsurance coverage, in exchange of a reinsurance premium, is measured as:

- the reinsurer's share of the expected present value of the cash flows generated under the underlying insurance contracts, including an adjustment to reflect the fact that
- the reinsurer might dispute coverage or fail to satisfy its obligations under the contract (risk of non-performance / counterparty risk);
- the risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer; and
- typically a "net cost" (a "net gain" can however occur in some cases), which is in substance a negative Contractual Service Margin ("CSM") corresponding to the cost paid to the reinsurer, depending on the pricing of the reinsurance contract held and assessed independently to the CSM arising from the underlying insurance contracts.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(i) Reinsurance contracts - continued

Measurement - continued

The mechanics of the measurement models are the same for the underlying insurance contracts with the difference that the concept of CSM is replaced by the concept of net cost / net gain. This net loss or net gain is deferred and released in profit or loss throughout the coverage period, in line with the provision of reinsurance services. However, if the net cost of purchasing reinsurance relates to past events, i.e. retrospective reinsurance contracts covering such as adverse development covers for incurred claims, any net cost occurring at inception is immediately recognized in the statement of profit or loss.

Subsequently, at the end of each reporting period, the carrying amount of the net deferred cost or gain for reinsurance contracts held is adjusted to reflect changes in estimates. However, if the Company recognizes losses in the statement of profit or loss on underlying contracts because of adverse changes in estimates of fulfilment cash flows, the corresponding changes in cash inflows for reinsurance contracts held are also recognized in profit or loss and therefore do not adjust the net deferred loss or gain of the group of reinsurance contracts held. As a result, there is no net effect in the profit or loss for the period to the extent that the change in the fulfilment cash flows of the underlying contracts is matched with a change in the fulfilment cash flows on the reinsurance contracts held.

A loss recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premium paid.

Reinsurance of onerous underlying insurance contracts

The Company adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

A loss recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premium paid.

(j) Transition methods

The transition to HKFRS 17 involved determining the methodology to be used for measuring the insurance contracts in force at the transition date, which is the beginning of the annual reporting period immediately preceding the date of initial application, namely 1 January 2022.

Theoretically, the transition from HKFRS 4 to HKFRS 17 requires applying the new standard fully retrospectively, as if it was applied from the inception of insurance contracts in force. However, if the application of this full retrospective approach ("FRA") is impracticable, the two following options are possible:

- either the modified retrospective approach ("MRA"), which consists in applying certain modifications of general requirements, to the extent that the full retrospective application is impracticable, but still with the objective to achieve the outcome as close as possible to the retrospective application, based on reasonable and supportable information available without undue cost and effort; or
- the fair value approach ("FVA"), which consists in repricing the contracts in the light of actuarial and financial parameters seen at the transition date by calculating the CSM as the positive difference between (i) the fair value of liabilities determined in accordance with HKFRS 13 – Fair Value Measurement, corresponding to the price that would be required by an external party to acquire the liabilities, and (ii) the fulfilment cash flows of insurance contracts.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.1 Insurance contracts, investment contracts with discretionary participation features (DPF) and Reinsurance contracts held - continued

(j) Transition methods - continued

In practice, the Company has applied the FRA only to the liabilities for remaining coverage ("LRC") of insurance contracts measured using the Premium Allocation Approach ("PAA") and to the liabilities for incurred claims ("LIC") occurred since 2016.

For other groups of insurance contracts, different factors (such as the impossibility of running models since the inception of the contracts, the availability of yield curves, the lack of historical data) have made the application of the FRA impracticable. For these groups of contracts, the Company has applied the MRA or the FVA, namely:

- for individual health contracts, the MRA was used, which mainly consisted in calculating an approximate CSM by reusing past information coming from European Embedded Value ("EEV") or Solvency II, and the analyses of movements leading to get results close to those that would have been obtained using a FRA, whereas the FVA being applied only on a more limited basis;
- for LIC occurred before 2016 related to Property & Casualty contracts, in the absence of reasonable and supportable information (under HKFRS 4, claims reserves were generally not discounted and determining the correct locked-in discount yield curves was not possible without hindsight for periods before the adoption of Solvency II), the FVA was applied with the option taken to set the OCI to zero on transition (i.e. discounting the liabilities with the transition yield curve instead of an historical accident year yield curve);
- for the remaining contracts, the FVA was used.

3.2 Investment contracts without DPF

Liabilities arising from these contracts are financial liabilities within the scope of HKFRS 9. They mainly include Unit-Linked contracts that do not meet the definition of insurance contracts or investment contracts with discretionary participation features. For these Unit-Linked contracts, the liabilities are measured at current unit value, i.e. on the basis of the fair value of the financial investments backing those contracts at the end of the reporting period.

In accordance with HKFRS 9, these contracts are accounted for using "deposit accounting". Costs corresponding to incremental costs of obtaining a contract or costs that are directly related to fulfilling a contract are expected to be recovered and can be capitalized as Deferred Origination Costs ("DOC") and subsequently amortised. Fees received at inception to cover future services are recognized as liabilities and accounted for in the statement of profit or loss based on the same amortization pattern as the one used for DOC.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

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 amortized cost 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, and (ii) the contractual terms of cash flows are SPPI, the financial asset is measured at fair value through other comprehensive income ("FVOCI") and realized 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 except those backing contracts where the financial risk is borne by policyholders, measured at a FVTPL basis;
- 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 amortized cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch in profit or loss, for example, for some loans backing insurance contracts measured using the VFA.

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.

(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 fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss.

(c) Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets at FVTPL are recorded in the statement of financial position 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, unless they arise from derivatives designated as hedging instruments in net investment hedges.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.3 Financial instruments - continued

(d) Impairment

The impairment applies to financial assets measured at amortised cost.

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 trade 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 but for which no credit event has occurred 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 the Company 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’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 fact 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.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.3 Financial instruments - continued

(d) Impairment - 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 amortized cost, their carrying value in the statement of financial position;
- for the financial instruments measured at FVOCI, the amount of unrealized gains or losses on those instruments accumulated in the OCI.

(e) Derecognition, contract modification

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.4 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

A financial liability is typically designated as at fair value through profit or loss 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 fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised as net change in investment contract liabilities in the statement of profit or loss.

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

(ii) 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 recognised as other finance costs in the statement of profit or loss.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.5 Leases

Liabilities arising from a lease are initially measured on a present value basis. 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.

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, eg 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.

3.6 Impairment of non-financial assets

Assets 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.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.7 Provisions

Provisions 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.8 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 declared by the Board of Directors of the Company.

3.9 Current and deferred income 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 other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

Deferred income tax is recognised, 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 income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in a subsidiary and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 income taxes 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.

3.10 Foreign currency translation

3.10.1 Functional and presentation currency

The financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION - continued

3.10 Foreign currency translation - continued

3.10.2 Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the statement of profit or loss.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation differences on financial assets and liabilities held at FVTPL are reported as part of the fair value gain or loss.

3.11 Employee benefits

3.11.1 Pension obligations

The Company operates a number of defined contribution plans. The schemes are generally funded through payments to separate trustee-administered funds. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.11.2 Bonus plans

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.12 Share-based payments

AXA 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. The fair value of the directors and employees services received in exchange for the grant of the equity instruments is recognised as an expense being absorbed by an intermediate holding company. The total amount to be recognised as an expense in the intermediate holding company's statement of profit or loss and other comprehensive income 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.

3.13 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 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 judgment 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.

3.16 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 LRC 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).

The way these changes are reflected in the insurance revenue differs by measurement model.

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.

For the contracts measured under the BBA and the VFA, the insurance revenue corresponds to the release of the LRC, depending on the quantity of provided services, and an allocation of insurance acquisition cash flows.

In substance, the amounts related to the provision of insurance contract services include:

- the expected claims, including expenses other than insurance acquisition cash flows, but excluding those not contributing to the fulfilment of insurance contracts (i.e. non-attributable expenses);
- the release of the risk adjustment for non-financial risk;
- the allocation of the CSM to the period.

The allocation of insurance acquisition cash flows represents the portion of premiums that corresponds to the recovering of those cash flows to each reporting period in a systematic way based on the passage of time, the same amount being recognized as insurance service expenses. This mechanism enables to add back the part of the premium corresponding to the coverage of insurance acquisition cash flows. This means that insurance acquisition cash flows are not recognized in the statement of profit or loss when the acquisition cash flows occur but when the CSM is released.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICIES INFORMATION – continued

3.17 Insurance service expenses

Insurance service expenses arising from groups of contracts issued by the Company are recognized in the statement of profit or loss as they are incurred, excluding amounts allocated to refunds of premiums and payment of policy loans. Symmetrically to insurance revenue, the payments relating to investment components are excluded from insurance service expenses.

All insurance service expenses correspond to actual cash outflows within the boundary of contracts identified when projecting and calculating the present value of future cash flows. These cash flows are:

- those that relate directly to the fulfilment of insurance contract; and
- those over which the Company has discretion over the amount or timing. In this respect, the change in discretionary cash flows is determined at inception of the contract (e.g. by identifying the minimum guarantees and defining its profit-sharing policy).

3.18 Net expenses from reinsurance contracts held

In the statement of 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 service expenses and amounts recovered from the reinsurers.

3.19 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 the statement of profit or loss 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 both (i) the effect of the time value of money and changes in the time value of money, (ii) the effect of financial risk and changes in financial risk (i.e. effect of changes in discount rates, exchange rate, the time value of options and guarantees).

The option to disaggregate insurance (and reinsurance) financial income or expense between the statement of profit or loss and the OCI is applied by the Company in order to limit the volatility in profit or loss (considering that many of the supporting financial assets are measured at FVOCI under HKFRS 9).

Under this option, for contracts without direct participation features, 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. In the same way, when changes in liabilities arise from a contractual link (indexation) between inflation and the payments to policyholders, the changes due to inflation that relate to future services shall also be considered as resulting from a financial risk and therefore are recognized through OCI with a release over the duration of the payments to the policyholders. The amount included in the statement of 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. This systematic allocation is based on the characteristics of the contracts, depending on whether the changes in assumptions relating to financial risk have a substantial effect on the amount paid to the policyholder or not:

- 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 initial recognition of the groups of contracts measured with the BBA and at the date of the incurred claims for groups of contracts applying the PAA;
- when the changes in financial risk assumptions do have a substantial effect on amounts paid to the policyholder, the systematic allocation is determined by using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield approach) or a crediting rate based on the amounts credited to the policyholders in the period and expected to be credited in future periods (i.e. the projected crediting approach).

The Company also applies the OCI option for direct participating contracts. It consists in recognizing in finance income or expenses (with OCI as a balance) an amount that exactly matches the income or expenses included in profit or loss on the underlying items held, resulting in the net of the separately presented items being nil.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can always differ from those estimates, possibly significantly.

Estimate of future cash flows arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company, which primarily includes the probabilities of the following events:

- Mortality and morbidity

The Company sets assumptions on mortality and morbidity with reference to historical experience and standard industry experience tables if available. Where appropriate, the Company also makes reference to other sources, including but not limited to market data and experience for similar products, to develop the best estimate expectation of the future experience. The best estimate mortality rate is lowered to 70% of HKA18 (2023: 70% of HKA18) for female and remained at 90% of HKA18 (2023: 90% of HKA18) for male during the year.

- Persistency

Persistency includes various policyholders' behaviours, such as lapse, surrender, premium holiday, partial withdrawal, etc. where relevant. The Company sets assumptions on persistency with reference to historical experience. Where appropriate, the Company also makes reference to other sources, including but not limited to market data and experience for similar products, to develop the best estimate expectation of the future experience.

- Expenses

The Company regularly conducts expense analysis and projection to forecast and categorise the expenses spent into various categories. Products are grouped according to their nature of risk and expenses are allocated to the product groups. The allocated expenses are further unitised based on policy count, premium amount, etc. to form the best estimate assumption of expenses.

- Discretionary cash flows

To determine how to identify changes in discretionary cash flows for the participating business contracts, the Company generally regards its commitment to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current operating and financial risk assumptions.

These assumptions are reviewed on an annual basis to ensure that they remain relevant and appropriate.

Discount rate

AXA Group (refer to AXA SA together with its direct and indirect consolidated subsidiaries) has defined a Group methodology for the calibration and the generation of "HKFRS 17 yield curves" used to discount the estimate of future cash flows within the boundary of contracts, consistent with the HKFRS 17 requirements and applied homogeneously across all AXA entities. The Company applies the same HKFRS 17 yield curves for the purpose of the measurement under HKFRS 17.

A bottom-up approach is adopted as it has been widely used for many years in the EEV and Solvency II frameworks. This approach consists in using a basic Risk-Free Rate ("RFR"), based on swaps for most currencies and government bonds for others, adjusted by adding on a liquidity premium ("LP") allowance to reflect the remuneration of illiquidity observed on traded assets until the Last Liquid Point ("LLP"), meaning the longest maturity for which there are enough traded bonds. An Ultimate Forward Rate ("UFR") macro-economically defined as the sum of the average of past real interest rates and central bank's target inflation is also considered. Discount rates between the LLP and the UFR maturities are obtained by extrapolation.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued

The yield curves used by the Company for main currencies are summarized in the below table.

Maturity	2024		2023	
	HKD spot	USD spot	HKD spot	USD spot
1	4.1%	4.7%	4.5%	5.4%
2	4.0%	4.7%	3.9%	4.8%
3	3.9%	4.7%	3.7%	4.6%
5	3.9%	4.8%	3.5%	4.4%
7	3.9%	4.9%	3.5%	4.4%
10	3.9%	5.0%	3.5%	4.4%
15	4.0%	5.3%	3.6%	4.6%
20	3.9%	5.5%	3.6%	4.9%
25	3.9%	5.3%	3.6%	4.7%
30	3.8%	5.2%	3.6%	4.5%

The Company has chosen to apply the “OCI option” (refer to Note 3.19 to all portfolio of insurance contracts, allowing to recognize the impact of changes in discount rates through Other Comprehensive Income.

Risk adjustment for non-financial risks

In respect of determining the compensation the Company requires for bearing the non-financial risks, the Company considers the 65th percentile range as the adequate level for RA.

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. The groups of contracts are first shocked, risk factor by risk factor, up to the retained confidence level to assess the change in the present value of future cash flows. Then, diversification benefits between risks implicit to the Company’s portfolio are considered by applying correlation factors between risks. Finally, the Company, as a member of the AXA Group, measures the compensation required taking into account the risk appetite of AXA Group, so a diversification effect between AXA entities is considered to reflect the fact that a same risk is unlikely to impact all the Group’s entities at the same time.

The determination of the risk adjustment for reinsurance contracts is based on the risk adjustment associated with the direct contracts, adjusted based on the expected reinsurance recoveries in relation to the expected outgoings from its corresponding direct contracts. This approach ensures that the risk adjustment for Reinsurance Contract Held (RCH) accurately reflects the financial implications of the reinsurance arrangements in relation to their corresponding underlying direct contracts.

Asset for insurance acquisition cash flows

The Company applies judgement in determining the allocation of any insurance acquisition cash flows to groups of insurance contracts. As of the reporting date, the Company determined that there is no insurance acquisition cash flow to be allocated to any future group of insurance contracts. Therefore, the asset for insurance acquisition cash flows is nil.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued

Fair value of financial assets/liabilities

For unquoted investments, the fair values are based on the net asset values reported to the general partners or managers by administrators.

Contractual service margin

- Determination of coverage units
The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year compared with the number of coverage units expected to be provided in future years, which is determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. The Company determines the quantity of coverage unit as follows:
 - a. Coverage unit of insurance service equals to the maximum level of coverage defined within the contract (or balance of the expected amount if the maximum level is not available) less investment component
 - b. Coverage unit of investment service equals to the investment component

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises those risks and the way the Company manages them.

5.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the amount of the resulting claim is uncertain. 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 reserving, 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 because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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 manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

5.1.1 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, insurance risk can be shared with the insured.

For unit-linked business, the Company charges for mortality risk on a monthly basis. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is formulated to cope with the classes of business to be written. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits any one underwriter can approve by the type of plan, amount of sum assured and extra-mortality or morbidity on individual life insured and amount of premium investment per policy owner in order to ensure appropriate risk selection within the portfolio.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.1 Insurance risk - continued

5.1.1 Long-term insurance contracts - continued

(b) Sources of uncertainty in the estimation of future cash flows

Uncertainty in the estimation of future cash flows for long-term insurance contracts arises from the unpredictability of changes in overall levels of mortality / morbidity and the variability in persistency.

An investigation into the actual experience of the Company over the last three to five years is carried out on annual basis, and statistical methods are used to produce a best estimate of expected mortality and morbidity for the future. The impact of any historical evidence of selective termination behaviour will be reflected in this experience.

5.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance contract assets and insurance contract 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 and investment contracts. The most important components of this financial risk are price risk, interest rate risk, credit risk, currency risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, 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.

The Company manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Risk Committee of the Company identifies the risk appetite of the Company and assesses the Company's risk exposure regularly. The Company has a Management Investment Committee that determines the investment strategy accordingly. A set of the Company's investment mandate is then distributed to the Company's fund managers, which provides appropriate guidelines with respect to the portfolio they manage. These investment instructions within specify limits for each portfolio with respect to authorised securities (including derivatives), gearing, free liquidity, concentration, currency, duration and credit limits (where applicable). Each fund manager regularly monitors its portfolios against these criteria and reports breaches.

5.3 Price risk

The Company is exposed to equity securities price risk because of the investment held by the Company classified at fair value through profit and loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

5.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities due to shortage of liquid funds. In particular to the Company, the risk that the Company's financial assets are insufficient to fund the guaranteed benefit payments required under its insurance and investment contracts when they fall due.

The Company manages the liquidity risk by holding sufficient liquid assets such as cash and short-term deposits. The underlying investments backing the liabilities that are traded in an active market and are readily disposed of can also meet the requirement of benefit payments as needed.

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.4 Liquidity risk - continued

The following table summarises the maturity analysis of carrying value of financial assets.

At 31.12.2024	Carrying Value HK\$'000	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:									
Unit trust investment	4,457,492	-	-	-	-	-	-	4,457,492	4,457,492
Debtors and prepayments, unsecured	27,227	27,227	-	-	-	-	-	-	27,227
Amount due from the immediate holding company	4,388	4,388	-	-	-	-	-	-	4,388
Amount due from the intermediate holding company	227	227	-	-	-	-	-	-	227
Fixed term bank deposits	276,030	276,030	-	-	-	-	-	-	276,030
Cash and cash equivalents	404,770	404,770	-	-	-	-	-	-	404,770
	5,170,134	712,642	-	-	-	-	-	4,457,492	5,170,134
At 31.12.2023									
Financial assets:									
Unit trust investment	4,608,907	-	-	-	-	-	-	4,608,907	4,608,907
Debtors and prepayments, unsecured	18,534	18,534	-	-	-	-	-	-	18,534
Amount due from the immediate holding company	227	227	-	-	-	-	-	-	227
Fixed term bank deposits	261,208	261,208	-	-	-	-	-	-	261,208
Cash and cash equivalents	423,471	423,471	-	-	-	-	-	-	423,471
	5,312,347	703,440	-	-	-	-	-	4,608,907	5,312,347

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.4 Liquidity risk - continued

The following table summarises the maturity analysis of contractual cash flows of financial liabilities.

At 31.12.2024	Carrying Value HK\$'000	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 liabilities:									
Investment contract liabilities	103,775	103,775	-	-	-	-	-	-	103,775
Creditors and accrued charges	15,479	15,479	-	-	-	-	-	-	15,479
Lease Payable	16,797	6,300	6,300	5,250	-	-	-	-	17,850
Amounts due to fellow subsidiaries	2	2	-	-	-	-	-	-	2
Current tax payables	10,945	10,945	-	-	-	-	-	-	10,945
	146,998	136,501	6,300	5,250	-	-	-	-	148,051
At 31.12.2023									
Financial liabilities:									
Investment contract liabilities	105,302	105,302	-	-	-	-	-	-	105,302
Creditors and accrued charges	15,994	15,994	-	-	-	-	-	-	15,994
Lease Payable	4,967	5,000	-	-	-	-	-	-	5,000
Amounts due to fellow subsidiaries	30,771	30,771	-	-	-	-	-	-	30,771
Current tax payables	4,845	4,845	-	-	-	-	-	-	4,845
	161,879	161,912	-	-	-	-	-	-	161,912

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.4 Liquidity risk - continued

The following tables provides an analysis of the remaining undiscounted net cash flows by estimated timing for the insurance contracts assets and liabilities and reinsurance contract assets and liabilities.

At 31.12.2024	Carrying value HK\$'000	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	Amount Payable on Demand HK\$'000
Reinsurance Contract										
Assets	12,289	(704)	(173)	49	85	138	11,364	-	10,759	-
	12,289	(704)	(173)	49	85	138	11,364	-	10,759	-
Insurance Contract										
Liabilities	3,673,360	546,513	555,760	519,735	429,230	332,368	3,273,550	-	5,657,156	4,463,937
Reinsurance Contract										
Liabilities	81,269	19,679	5,997	6,037	6,189	6,221	116,580	-	160,703	-
	3,754,629	566,192	561,757	525,772	435,419	338,589	3,390,130	-	5,817,859	4,463,937

At 31.12.2023	Carrying value HK\$'000	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	Amount Payable on Demand HK\$'000
Reinsurance Contract										
Assets	20,111	9,534	(532)	(162)	45	80	10,609	-	19,574	-
	20,111	9,534	(532)	(162)	45	80	10,609	-	19,574	-
Insurance Contract										
Liabilities	3,732,339	449,525	489,996	517,939	472,328	387,690	3,098,813	-	5,416,291	4,616,816
Reinsurance Contract										
Liabilities	92,155	24,788	6,310	6,326	6,342	6,433	123,473	-	173,672	-
	3,824,494	474,313	496,306	524,265	478,670	394,123	3,222,286	-	5,589,963	4,616,816

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.5 Interest rate risk

Long-term insurance contracts and investment contracts without DPF

Unit-linked products are the majority of products in this category.

For linked contracts, the financial risks are borne by the policyholder. Therefore, the Company does not have any market risk exposure in relation to these contracts.

The Company's primary exposure to financial risk from these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

5.6 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:

- receivables arising from direct insurance operations
- receivables arising from outward reinsurance operations
- fixed term bank deposits and cash and cash equivalents

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as a 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 an annual basis by reviewing their financial strength prior to finalisation of any contract and to ensure ongoing creditworthiness of the reinsurer.

The maximum credit risk for financial assets recognised on the statement of financial position is their carrying amount.

5.6.1 Analysis of underlying credit exposure:

Analysis of underlying credit exposure.								
	<u>Issuers' Credit ratings per Standard & Poor's and Fitch</u>							
	AAA	AA+ to		BBB+ to	BB+ to		Not rated	Total
	HK\$'000	AA- HKD'000	A+ to A- HKD'000	BBB- HKD'000	BB- HKD'000	B+ to B- HKD'000	HKD'000	HKD'000
As at 31 December 2024:								
Reinsurance assets	-	11,185	1,104	-	-	-	-	12,289
Other financial assets	-	4,388	-	-	-	-	27,453	31,841
Cash and deposits	-	5,499	671,639	3,662	-	-	-	680,800
Total assets bearing credit risk	-	21,072	672,743	3,662	-	-	27,453	724,930
As at 31 December 2023:								
Reinsurance assets	-	18,529	1,582	-	-	-	-	20,111
Other financial assets	-	-	-	-	-	-	18,761	18,761
Cash and deposits	-	1,910	655,737	27,032	-	-	-	684,679
Total assets bearing credit risk	-	20,439	657,319	27,032	-	-	18,761	723,551

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.7 Currency risk

The Company monitors overall currency exposure and decides on hedging implementations within the constraints of the mandates. Foreign currency exposure, arising from assets, liabilities and derivatives is monitored regularly and hedged when deemed appropriate and to the extent practicable.

The Company operates in Hong Kong and issues Hong Kong dollar and United States dollar denominated policies. The Company's policy is to generally invest in assets denominated in the same currencies and/or assets in foreign currencies hedged back to the currencies of the insurance liabilities, which mitigate the Company's foreign currency exchange rate risk. As at 31 December 2024, the majority of the Company's assets are denominated in United States dollars and Hong Kong dollars. Since the Hong Kong dollars are currently pegged to the United States dollars, the impact of exchange rate fluctuation is insignificant to the results of the Company.

The following table analyses the Company's insurance and financial liabilities and the financial assets backing these liabilities into relevant currency groupings based on the currency in which these insurance and financial liabilities and financial assets are denominated. The financial assets in the following table include amounts recoverable from reinsurers. The value of the insurance and financial liabilities that are linked to the value of its backing assets amounted to HK\$3,858,406,467 (2023: HK\$3,929,794,165).

	HK Dollars HK\$'000	US Dollars HK\$'000	Other HK\$'000	Total HK\$'000
As at 31 December 2024:				
Financial assets	82,367	470,699	163,379	716,445
Financial liabilities	(41,447)	(1,776)	-	(43,223)
Insurance contract and reinsurance contract assets	-	12,289	-	12,289
Net on-balance sheet position	40,920	481,212	163,379	685,511
Total	40,920	481,212	163,379	685,511

	HK Dollars HK\$'000	US Dollars HK\$'000	Other HK\$'000	Total HK\$'000
As at 31 December 2023:				
Financial assets	86,869	387,378	227,139	701,386
Financial liabilities	(55,698)	(879)	-	(56,577)
Insurance contract and reinsurance contract assets	-	20,111	-	20,111
Net on-balance sheet position	31,171	406,610	227,139	664,920
Total	31,171	406,610	227,139	664,920

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.8 Sensitivity analysis

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced to inform the Company's decision making and planning process.

Some results of sensitivity testing for long-term business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged.

For non-economic sensitivities, the effects of a positive or negative change in the assumptions—such as a +10% and -10% adjustment to mortality, morbidity, persistency, or expense assumptions—are relatively symmetric, demonstrating that the outcomes are affected similarly by changes in either direction.

Sensitivity factor	Description of sensitivity factor applied
(i) Interest rate and investment return	The impact of a change in market interest rates by 0.5% (e.g. current interest rate is 5%, the impact of an immediate change to 4.5% and 5.5%). The test allows consistently for similar changes to (i) investment returns; (ii) movements in the market value of fixed interest securities; and (iii) insurance and investment liabilities.
(ii) Equity market values	The impact of a change in equity market values by 5%
(iii) Foreign Exchange Rate	The impact of a 10% depreciation or appreciation of the Euro against other currencies.
(iv) Mortality	The impact of a change in mortality assumption by 10% (e.g. current mortality rate is 5%, the impact of an immediate change to 5.5%).
(v) Morbidity	The impact of a change in morbidity assumption by 10% (e.g. current morbidity rate is 5%, the impact of an immediate change to 5.5%).
(vi) Persistency	The impact of a change in persistency assumption, such as lapse, surrender, premium holiday, partial withdrawal, etc. by 10% (e.g. current lapse rate is 5%, the impact of an immediate change to 5.5%).
(vii) Expenses	The impact of a change in expense assumption by 10%.

The following tables disclose details of the sensitivities for the relevant period:

	<u>Impact on profit after tax and shareholders' equity</u>			
	<u>increase/(decrease)</u>			
	<u>Year ended 31.12.2024</u>		<u>Year ended 31.12.2023</u>	
	<u>in profit or loss</u>	<u>in shareholders' equity</u>	<u>in profit or loss</u>	<u>in shareholders' equity</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assumed future return on market rate of interest + 0.5%	(1,675)	3,154	(2,761)	2,915
Assumed future return on market rate of interest - 0.5%	1,677	(3,297)	2,770	(3,053)
Assumed future equity securities return rate + 5%	836	1,852	2,073	3,099
Assumed future equity securities return rate - 5%	(1,021)	(1,632)	(2,202)	(2,740)
Assumed EUR appreciates vs. all currencies 10%	1,656	1,656	7,051	7,051
Assumed EUR depreciates vs. all currencies 10%	(1,355)	(1,355)	(5,769)	(5,769)
Assumed mortality assumption +10%	(4,290)	(9,444)	(4,659)	(9,498)
Assumed morbidity assumption +10%	(447)	(447)	(483)	(483)
Assumed persistency assumption +10%	(5,165)	(7,000)	(6,425)	(8,068)
Assumed expense assumption +10%	(1,345)	(1,345)	(1,184)	(1,184)

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS - continued

5.9 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 monitors capital adequacy based on the Risk-based Capital Rules 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 monitored capital on the basis of the solvency ratio which is above the regulatory requirement of 100%.

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY

6.1 Fair value hierarchy

The table analyses the financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. quoted prices in active markets for similar financial instruments), or indirectly (i.e. using valuation techniques in which all significant inputs are directly or indirectly based on observable market data)
- Level 3 (lowest level): fair values measured using valuation techniques in which the input is not based on observable market data

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY - continued

6.1 Fair value hierarchy - continued

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:

At 31.12.2024	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Investment assets at FVTPL				
Unit Trust Investment	4,457,492	-	-	4,457,492
LIABILITIES				
Financial liabilities				
- Investment contracts	103,668	-	107	103,775
At 31.12.2023	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Investment assets at FVTPL				
Unit Trust Investment	4,608,907	-	-	4,608,907
LIABILITIES				
Financial liabilities				
- Investment contracts	105,107	-	195	105,302

During the year ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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 occur or change in circumstances that caused the transfer.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL INSTRUMENTS IN THREE LEVEL FAIR VALUE HIERARCHY - continued

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 period. A market is regarded as active if quoted prices are readily and regularly available from an 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. These instruments are included in Level 1.

6.3 Financial instrument in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Company 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
- Derived from model based on current market parameters such as observable yield curve

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

7. INSURANCE REVENUE

The table below presents an analysis of the total insurance revenue recognised in the period:

	Year ended 31.12.2024	Year ended 31.12.2023
	HK\$'000	HK\$'000
Contracts not measured under the PAA		
Amounts relating to the changes in the LRC		
Expected incurred claims and other expenses after loss component allocation	66,683	74,531
Change in the risk adjustment for the risk expired after loss component allocation	2,250	736
CSM recognized in profit or loss for the services provided	8,091	24,010
Insurance acquisition cash flows recovery	8,422	6,371
Insurance revenue from contracts not measured under the PAA	85,446	105,648
Insurance revenue from contracts measured under the PAA	15,484	17,482
Total insurance revenue	100,930	123,130

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

8. NET FINANCIAL RESULT

(a) Company's net financial result in profit or loss and other comprehensive income

	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
Investment return		
Investment return recognised in profit or loss	380,984	392,146
Total investment return	380,984	392,146
Net finance income/(expenses) from insurance contracts		
Changes in fair value of underlying items of contracts with direct participation features	(391,211)	(371,179)
Interest accreted	(212)	(156)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	825	(44)
Net foreign exchange losses	19,261	(1,465)
Other	5,354	5,238
Total net finance expenses from insurance contracts	(365,983)	(367,606)
Net finance income/(expenses) from reinsurance contracts held		
Interest accreted	(1,570)	(1,311)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	1,943	(3,214)
Net foreign exchange losses	291	(246)
Total net finance income/(expenses) from reinsurance contracts held	664	(4,771)
Net change in investment contract liabilities	(7,536)	(9,947)
Net financial result	8,129	9,822
Net financial result is represented by:		
Amounts recognised in profit or loss	5,499	13,058
Amounts recognised in other comprehensive income	2,630	(3,236)
Net financial result	8,129	9,822
Net finance income/(expenses) from insurance contracts are represented by:		
Amounts recognised in profit or loss	(366,787)	(367,564)
Amounts recognised in other comprehensive income	804	(42)
Total net finance expenses from insurance contracts	(365,983)	(367,606)
Net finance income/(expenses) from reinsurance contracts held are represented by:		
Amounts recognised in profit or loss	(1,162)	(1,577)
Amounts recognised in other comprehensive income	1,826	(3,194)
Total net finance income/(expenses) from reinsurance contracts held	664	(4,771)

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

8. NET FINANCIAL RESULT - continued

(b) Investment return

2024	FVTPL Mandatory HK\$'000	Total HK\$'000
Dividend income	7,933	7,933
Net gain of financial assets	380,941	380,941
Net exchange loss	(7,890)	(7,890)
Amount recognised in profit and loss	380,984	380,984
Total investment return	380,984	380,984
2023	FVTPL Mandatory HK\$'000	Total HK\$'000
Dividend income	9,076	9,076
Net gain of financial assets	381,870	381,870
Net exchange gain	1,200	1,200
Amount recognised in profit and loss	392,146	392,146
Total investment return	392,146	392,146

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

9. PROFIT BEFORE TAXATION

	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,876	2,026
Directors' remuneration (note)		
Fees for services as directors of the Company	369	362
Remuneration in connection with management of the affairs of the Companies (note):		
- Other emoluments	-	-
Operating lease rentals (note)	-	-
Staff costs (note)	-	-
Pension costs – defined contribution plans (note 19)	-	-
Exchange (gain)/losses	(19,689)	1,733

Note: Staff costs, pension costs and operating lease rentals for the current and prior year were borne and recharged to the Company by an immediate holding company. The directors received unapportioned remuneration of HK\$17,223,000 (2023: HK\$13,963,000) from the Company's holding companies, fellow subsidiaries, associates or any other company for the directors' services. Aggregated and unapportioned amount of top three highest-paid directors' emoluments is HK\$17,223,000 (2023: HK\$13,963,000). Estimated money value of benefits other than cash within directors' emoluments include medical premium, group life premium, staff share options, performance units and child education benefits.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

10. TAXATION

	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
The charge/(credit) comprises:		
Current Tax - Hong Kong Profits Tax		
Provision for the year	23,394	12,450
Adjustments in respect of prior years	(3)	(6)
Total current tax	23,391	12,444
Deferred taxation (note 15):		
Origination and reversal of temporary differences	(23,635)	(8,471)
Total deferred tax	(23,635)	(8,471)
Tax (credit)/charge	(244)	3,973

The tax charge for the year can be reconciled to the profit before taxation per the statement of comprehensive income as follows:

	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
Profit before taxation	17,289	47,757
Tax at the Hong Kong Profits Tax		
rate of 16.5% (2023: 16.5%)	2,853	7,879
Tax effect of non-taxable income	(4,395)	(3,899)
Tax effect of non-deductible expenses	1,302	-
Tax effect of tax allowances	(1)	(1)
Overprovision for prior year	(3)	(6)
Tax (credit)/charge for the year	(244)	3,973

Note:

Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profit for the year.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

11. DIVIDENDS

	<u>At 31.12.2024</u> HK\$'000	<u>At 31.12.2023</u> HK\$'000
Ordinary shares Paid - HK\$0.25 (2023: HK\$0.25) per share	<u>50,000</u>	<u>50,000</u>

12. INTANGIBLE ASSETS

	Deferred Origination Costs (HKFRS 9 contracts) HK\$'000	Total HK\$'000
COST		
At 1 January 2023	215	215
At 31 December 2023	<u>215</u>	<u>215</u>
At 31 December 2024	<u>215</u>	<u>215</u>
AMORTISATION		
At 1 January 2023	53	53
Charge for the year	<u>(11)</u>	<u>(11)</u>
At 31 December 2023	<u>42</u>	<u>42</u>
Charge for the year	<u>78</u>	<u>78</u>
At 31 December 2024	<u>120</u>	<u>120</u>
NET BOOK VALUES		
At 31 December 2024	<u>95</u>	<u>95</u>
At 31 December 2023	<u>173</u>	<u>173</u>

Deferred Origination Costs ("DOC")

Deferred Origination Costs ("DOC") correspond to the deferred contract costs (such as incremental costs of obtaining a contract or costs directly related to fulfilling a contract) of investment contracts with no discretionary participation features but with an investment management service. They are amortized by taking into account projections of fees collected over the life of the contracts. The amortization of DOC is reviewed at each closing date to reflect changes in assumptions and experience. These assets are also tested for recoverability. As DOC are reported gross of unearned fees reserves, these unearned fees reserves are separately recognized as liabilities and are amortized over the contract term using the same amortization approach as the one used for DOC.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

13. INVESTMENTS IN SECURITIES

(a) The following represents the Company's own share in the investment portfolios.

31 December 2024	FVTPL Mandatory HK\$'000	Total HK\$'000
Investments in securities		
Unit trust investment	4,457,492	4,457,492
Total Investments in securities	4,457,492	4,457,492

31 December 2023	FVTPL Mandatory HK\$'000	Total HK\$'000
Investments in securities		
Unit trust investment	4,608,907	4,608,907
Total Investments in securities	4,608,907	4,608,907

The fair value of underlying items of direct participating contracts are as follows:

31 December 2024	Direct participating contracts HK\$'000
Investments in securities	
Unit trust investment	4,426,135
Total Investments in securities	4,426,135

31 December 2023	Direct participating contracts HK\$'000
Investments in securities	
Unit trust investment	4,579,712
Total Investments in securities	4,579,712

(b) Interests in structured entities

In accordance with HKFRS 12 "Disclosure of Interests in Other Entities", a structured entity ("SE") is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

In assessing the significance of a SE for disclosure purposes, the Company considers the nature of the Company's relationship with the SEs including whether they are sponsored by the Company. In addition, the significance of the relationship with the SE to the Company is assessed including consideration of factors such as the Company's investment in the SE as a percentage of the Company's total assets, the Company's aggregate investment return from the SE as a percentage of the Company's total revenue and the Company's exposure to any other risks from its involvement with the SE.

The Company has investment relationships with a variety of unlisted unit trusts and other entities ("Other Entities"), which result from its direct investment in their debt or equity and which have been assessed for control. This category includes, but is not limited to investments in money market fund, fixed income fund, equity fund and balance fund. The Company does not bear the risk associated with these assets. These Other Entities are not sponsored by the Company. For all Other Entities backing unit linked contracts, the Company retains legal title, however, returns from these belong to policy holders of the unit link contracts.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

14. 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:

	<u>At 31.12.2024</u>	<u>At 31.12.2023</u>
	HK\$'000	HK\$'000
Right-of-use assets		
- Buildings	<u>16,733</u>	<u>4,837</u>
Lease liabilities		
- Current	5,687	4,967
- Non-current	<u>11,110</u>	<u>-</u>
	<u>16,797</u>	<u>4,967</u>

ii) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	<u>At 31.12.2024</u>	<u>At 31.12.2023</u>
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets (note)		
- Buildings	<u>5,824</u>	<u>5,788</u>
Interest expense (note)	<u>160</u>	<u>134</u>

The additions for right-of-use assets in 2024 were HK\$17,719,794 (2023: HK\$ Nil) whereas the total cash outflow for leases in 2024 was HK\$ Nil (2023: Nil) (note).

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. DEFERRED TAXATION

The movement in deferred tax assets / (liabilities) during the year is as follows:

	Difference in accounting standards HK\$'000	RBC one- off adjustment HK\$'000	Total HK\$'000
At 1 January 2023	(155,138)	-	(155,138)
Credit/(charge) for the year (note 10)	8,471	-	8,471
At 31 December 2023	(146,667)	-	(146,667)
Credit/(charge) for the year (note 10)	145,488	(121,853)	23,635
At 31 December 2024	(1,179)	(121,853)	(123,032)

The deferred tax assets / (liabilities) of other comprehensive income is as follows:

	OCI relating to insurance contracts - insurance finance income or expenses HK\$'000
At 1 January 2023	(4,491)
Credit/(charge) to other comprehensive income for the year	534
At 31 December 2023	(3,957)
Credit/(charge) to other comprehensive income for the year	(434)
At 31 December 2024	(4,391)

AXA WEALTH MANAGEMENT (HK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2024

16. SHARE CAPITAL AND RESERVES

Share Capital:

	Number of shares		Share capital	
	2024	2023	2024 HK\$'000	2023 HK\$'000
Ordinary shares				
Issued and fully paid				
Balance as at 1 January and 31 December	200,000,000	200,000,000	200,000	200,000
Total	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000</u>	<u>200,000</u>

Reserves:

Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS

17.1 Reconciliation with the statement of financial position

The reconciliation of amounts presented in the statement of financial position with the carrying amount of insurance contracts and investment contracts with DPF, as disclosed below in note 17.2 to note 17.3, is formalised as follows:

Reconciliation from the Statement of financial position to the Notes to the Financial Statements – Insurance

	At 31.12.2024 HK\$'000	At 31.12.2023 HK\$'000
Insurance contract liabilities	3,673,360	3,732,339
Net position	3,673,360	3,732,339
Receivables arising from direct insurance and inward reinsurance operations	61,248	57,762
Payables arising from direct insurance and inward reinsurance operations	(57,285)	(40,793)
Carrying amount of insurance contracts and investment contracts with discretionary participation features, as disclosed in notes to the financial statements	3,677,323	3,749,308

Reconciliation from the Statement of financial position to the Notes to the Financial Statements – Reinsurance

	At 31.12.2024 HK\$'000	At 31.12.2023 HK\$'000
Reinsurance contract assets	12,289	20,111
Reinsurance contract liabilities	(81,269)	(92,155)
Net position	(68,980)	(72,044)
Payables arising from outward reinsurance operations	36,690	27,799
Receivables arising from outward reinsurance operations	(22,862)	(19,360)
Carrying amount of reinsurance contracts held, as disclosed in notes to the financial statements	(55,152)	(63,605)

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.2 Movements in the carrying amount of insurance contracts and investment contracts with DPF

(a) Analysis by remaining coverage and incurred claims

	Remaining coverage component		Incurred claims component			
	Excluding loss component HK\$'000	Loss component HK\$'000	Contracts not under PAA HK\$'000	Present value of future cash flows HK\$'000	Risk adjustment HK\$'000	Total HK\$'000
Opening assets	-	-	-	-	-	-
Opening liabilities	3,729,411	19,321	576	-	-	3,749,308
Net balance as at 1 January 2024	3,729,411	19,321	576	-	-	3,749,308
Insurance revenue	(100,930)	-	-	-	-	(100,930)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(3,257)	59,473	8,436	-	64,652
Adjustments to liabilities for incurred claims	-	-	1,117	-	-	1,117
Losses on onerous contracts and reversal of those losses	-	1,376	-	-	-	1,376
Insurance acquisition cash flows amortisation	10,410	-	-	-	-	10,410
Total insurance service expenses	10,410	(1,881)	60,590	8,436	-	77,555
Investment components	(731,471)	-	731,471	-	-	-
Insurance service result	(821,991)	(1,881)	792,061	8,436	-	(23,375)
Net finance expenses from insurance contracts	371,438	(92)	(9)	-	-	371,337
Total changes in the statement of profit or loss and other comprehensive income	(450,553)	(1,973)	792,052	8,436	-	347,962
Cash flows						
Premiums received	395,052	-	-	-	-	395,052
Claims and other directly attributable expenses paid, including investment components	-	-	(790,882)	(8,436)	-	(799,318)
Insurance acquisition cash flows paid	(15,681)	-	-	-	-	(15,681)
Total cash flows	379,371	-	(790,882)	(8,436)	-	(419,947)
Net balance as at 31 December 2024	3,658,229	17,348	1,746	-	-	3,677,323
Closing assets	-	-	-	-	-	-
Closing liabilities	3,658,229	17,348	1,746	-	-	3,677,323
Net balance as at 31 December 2024	3,658,229	17,348	1,746	-	-	3,677,323

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.2 Movements in the carrying amount of insurance contracts and investment contracts with DPF - continued

(a) Analysis by remaining coverage and incurred claims - continued

	Remaining coverage component			Incurred claims component			
	Note	Excluding loss component HK\$'000	Loss component HK\$'000	Contracts not under PAA HK\$'000	Present value of future cash flows HK\$'000	Risk adjustment HK\$'000	Total HK\$'000
Opening assets		-	-	-	-	-	-
Opening liabilities		3,715,040	14,548	501	-	-	3,730,089
Net balance as at 1 January 2023		3,715,040	14,548	501	-	-	3,730,089
Insurance revenue		(123,130)	-	-	-	-	(123,130)
Insurance service expenses							
Incurred claims and other directly attributable expenses		-	(2,140)	58,548	9,212	-	65,620
Adjustments to liabilities for incurred claims		-	-	70	-	-	70
Losses on onerous contracts and reversal of those losses		(1)	6,920	-	-	-	6,919
Insurance acquisition cash flows amortisation		8,584	-	-	-	-	8,584
Total insurance service expenses		8,583	4,780	58,618	9,212	-	81,193
Investment components		(669,794)	-	669,794	-	-	-
Insurance service result		(784,341)	4,780	728,412	9,212	-	(41,937)
Net finance expenses from insurance contracts		372,851	(7)	-	-	-	372,844
Total changes in the statement of profit or loss and other comprehensive income		(411,490)	4,773	728,412	9,212	-	330,907
Cash flows							
Premiums received		437,799	-	-	-	-	437,799
Claims and other directly attributable expenses paid, including investment components		-	-	(728,337)	(9,212)	-	(737,549)
Insurance acquisition cash flows paid		(11,938)	-	-	-	-	(11,938)
Total cash flows		425,861	-	(728,337)	(9,212)	-	(311,688)
Net balance as at 31 December 2023		3,729,411	19,321	576	-	-	3,749,308
Closing assets		-	-	-	-	-	-
Closing liabilities		3,729,411	19,321	576	-	-	3,749,308
Net balance as at 31 December 2023		3,729,411	19,321	576	-	-	3,749,308

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.2 Movements in the carrying amount of insurance contracts and investment contracts with DPF - continued

(b) Analysis by measurement components - Contracts not measured under the PAA

	<u>Estimates present value of future cash flows</u> HK\$'000	<u>Risk adjustment</u> HK\$'000	<u>Contractual service margin (CSM)</u> HK\$'000	<u>Total carrying amount</u> HK\$'000
Opening assets	-	-	-	-
Opening liabilities	3,553,988	19,457	175,433	3,748,878
Net balance as at 1 January 2024	3,553,988	19,457	175,433	3,748,878
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	(8,091)	(8,091)
Change in the risk adjustment for non-financial risk for the risk expired	-	(2,189)	-	(2,189)
Experience adjustments	(10,529)	-	-	(10,529)
Changes that relate to future service				
Changes in estimates that adjust the CSM	106,077	5,702	(111,779)	-
Changes in estimates that result in onerous contract losses or reversal of losses	1,377	(1)	-	1,376
Contracts initially recognised in the period	(672)	2	670	-
Changes that relate to past service	1,116	-	-	1,116
Insurance service result	97,369	3,514	(119,200)	(18,317)
Net finance expenses from insurance contracts	371,764	(117)	(310)	371,337
Total changes in the statement of profit or loss and other comprehensive income	469,133	3,397	(119,510)	353,020
Cash flows				
Premiums received	379,578	-	-	379,578
Claims and other directly attributable expenses paid, including investment components	(790,882)	-	-	(790,882)
Insurance acquisition cash flows paid	(13,692)	-	-	(13,692)
Total cash flows	(424,996)	-	-	(424,996)
Net balance as at 31 December 2024	3,598,125	22,854	55,923	3,676,902
Closing assets	-	-	-	-
Closing liabilities	3,598,125	22,854	55,923	3,676,902
Net balance as at 31 December 2024	3,598,125	22,854	55,923	3,676,902

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.2 Movements in the carrying amount of insurance contracts and investment contracts with DPF - continued

(b) Analysis by measurement components – Contracts not measured under the PAA - continued

	<u>Estimates</u> <u>present value of</u> <u>future cash</u> <u>flows</u> HK\$'000	<u>Risk adjustment</u> HK\$'000	<u>Contractual</u> <u>service margin</u> <u>(CSM)</u> HK\$'000	<u>Total carrying</u> <u>amount</u> HK\$'000
Opening assets	-	-	-	-
Opening liabilities	3,578,870	38,173	111,053	3,728,096
Net balance as at 1 January 2023	3,578,870	38,173	111,053	3,728,096
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	(24,010)	(24,010)
Change in the risk adjustment for non-financial risk for the risk expired	-	(730)	-	(730)
Experience adjustments	(18,130)	-	-	(18,130)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(70,159)	(18,058)	88,217	-
Changes in estimates that result in onerous contract losses or reversal of losses	6,919	1	-	6,920
Contracts initially recognised in the period	(272)	-	272	-
Changes that relate to past service	70	-	-	70
Insurance service result	(81,572)	(18,787)	64,479	(35,880)
Net finance expenses from insurance contracts	372,872	71	(99)	372,844
Total changes in the statement of profit or loss and other comprehensive income	291,300	(18,716)	64,380	336,964
Cash flows				
Premiums received	421,881	-	-	421,881
Claims and other directly attributable expenses paid, including investment components	(728,337)	-	-	(728,337)
Insurance acquisition cash flows paid	(9,726)	-	-	(9,726)
Total cash flows	(316,182)	-	-	(316,182)
Net balance as at 31 December 2023	3,553,988	19,457	175,433	3,748,878
Closing assets	-	-	-	-
Closing liabilities	3,553,988	19,457	175,433	3,748,878
Net balance as at 31 December 2023	3,553,988	19,457	175,433	3,748,878

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.3 Movements in the carrying amount of reinsurance contracts held

(a) Analysis by remaining coverage and incurred claims

	Remaining coverage component		Incurred claims component			
	Excluding loss recovery component HK\$'000	Loss recovery component HK\$'000	Contracts not under PAA HK\$'000	Present value of future cash flows HK\$'000	Risk adjustment HK\$'000	Total HK\$'000
Opening assets	9,994	-	-	-	-	9,994
Opening liabilities	(73,599)	-	-	-	-	(73,599)
Net balance as at 1 January 2024	(63,605)	-	-	-	-	(63,605)
Expenses from reinsurance contracts	(26,300)	-	-	-	-	(26,300)
Claims recovered	-	-	16,252	89	-	16,341
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	-	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
Net income / (expenses) from reinsurance contracts held	(26,300)	-	16,252	89	-	(9,959)
Investment components	664	-	-	-	-	664
Net finance income or expenses from reinsurance contracts	(25,636)	-	16,252	89	-	(9,295)
Total changes in the statement of profit or loss and other comprehensive income	34,089	-	-	-	-	34,089
Cash flows	-	-	(16,252)	(89)	-	(16,341)
Premiums paid net of ceding commissions paid	34,089	-	-	-	-	34,089
Recoveries from reinsurance (net of commissions related to claims)	-	-	(16,252)	(89)	-	(16,341)
Total cash flows	34,089	-	(16,252)	(89)	-	17,748
Net balance as at 31 December 2024	(55,152)	-	-	-	-	(55,152)
Closing assets	12,433	-	-	-	-	12,433
Closing liabilities	(67,585)	-	-	-	-	(67,585)
Net balance as at 31 December 2024	(55,152)	-	-	-	-	(55,152)

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.3 Movements in the carrying amount of reinsurance contracts held - continued

(a) Analysis by remaining coverage and incurred claims - continued

	Remaining coverage component		Incurred claims component			
	<u>Excluding loss recovery component</u> HK\$'000	<u>Loss recovery component</u> HK\$'000	<u>Contracts not under PAA</u> HK\$'000	<u>Present value of future cash flows</u> HK\$'000	<u>Risk adjustment</u> HK\$'000	<u>Total</u> HK\$'000
<u>Note</u>						
Opening assets	7,049	-	-	-	-	7,049
Opening liabilities	(74,176)	-	-	-	-	(74,176)
Net balance as at 1 January 2023	(67,127)	-	-	-	-	(67,127)
Expenses from reinsurance contracts	(26,403)	-	-	-	-	(26,403)
Claims recovered	-	-	12,944	6,438	-	19,382
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	-	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-
Net income / (expenses) from reinsurance contracts held	(26,403)	-	12,944	6,438	-	(7,021)
Investment components	-	-	-	-	-	-
Net finance income or expenses from reinsurance contracts	(4,771)	-	-	-	-	(4,771)
Total changes in the statement of profit or loss and other comprehensive income	(31,174)	-	12,944	6,438	-	(11,792)
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	34,696	-	-	-	-	34,696
Recoveries from reinsurance (net of commissions related to claims)	-	-	(12,944)	(6,438)	-	(19,382)
Total cash flows	34,696	-	(12,944)	(6,438)	-	15,314
Net balance as at 31 December 2023	(63,605)	-	-	-	-	(63,605)
Closing assets	9,994	-	-	-	-	9,994
Closing liabilities	(73,599)	-	-	-	-	(73,599)
Net balance as at 31 December 2023	(63,605)	-	-	-	-	(63,605)

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.3 Movements in the carrying amount of reinsurance contracts held - continued

(b) Analysis by measurement components - Contracts not measured under the PAA

	Note	Estimates present value of future cash flows HK\$'000	Risk adjustment HK\$'000	Contractual service margin (CSM) HK\$'000	Total carrying amount HK\$'000
Opening assets		4,392	136	5,466	9,994
Opening liabilities		(88,216)	693	13,924	(73,599)
Net balance as at 1 January 2024		(83,824)	829	19,390	(63,605)
Changes that relate to current service					
CSM recognised in profit or loss for the services received		-	-	(2,149)	(2,149)
Change in the risk adjustment for non-financial risk for the risk expired		-	(96)	-	(96)
Experience adjustments		(4,935)	-	-	(4,935)
Changes that relate to future service					
Changes in estimates that adjust the CSM		(1,323)	229	1,094	-
Contracts initially recognised in the period		-	-	-	-
Changes that relate to past service					
Effect of changes in the risk of reinsurers non-performance		-	-	-	-
Net expenses from reinsurance contracts		(6,258)	133	(1,055)	(7,180)
Net finance income from reinsurance contracts held		396	(4)	272	664
Total changes in the statement of profit or loss and other comprehensive income		(5,862)	129	(783)	(6,516)
Cash flows					
Premiums paid net of ceding commissions paid		31,221	-	-	31,221
Recoveries from reinsurance (net of commissions related to claims)		(16,252)	-	-	(16,252)
Total cash flows		14,969	-	-	14,969
Net balance as at 31 December 2024		(74,717)	958	18,607	(55,152)
Closing assets		4,795	184	7,454	12,433
Closing liabilities		(79,512)	774	11,153	(67,585)
Net balance as at 31 December 2024		(74,717)	958	18,607	(55,152)

AXA WEALTH MANAGEMENT (HK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.3 Movements in the carrying amount of reinsurance contracts held - continued

(b) Analysis by measurement components – Contracts not measured under the PAA - continued

	<u>Estimates present value of future cash flows</u> HK\$'000	<u>Risk adjustment</u> HK\$'000	<u>Contractual service margin (CSM)</u> HK\$'000	<u>Total carrying amount</u> HK\$'000
Opening assets	3,388	177	3,484	7,049
Opening liabilities	(90,216)	986	15,054	(74,176)
Net balance as at 1 January 2023	(86,828)	1,163	18,538	(67,127)
Changes that relate to current service				
CSM recognised in profit or loss for the services received	-	-	(2,541)	(2,541)
Change in the risk adjustment for non-financial risk for the risk expired	-	(19)	-	(19)
Experience adjustments	(8,083)	-	-	(8,083)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(2,792)	(316)	3,108	-
Contracts initially recognised in the period	-	-	-	-
Changes that relate to past service				
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Net expenses from reinsurance contracts	(10,875)	(335)	567	(10,643)
Net finance income from reinsurance contracts held	(5,058)	2	285	(4,771)
Total changes in the statement of profit or loss and other comprehensive income	(15,933)	(333)	852	(15,414)
Cash flows				
Premiums paid net of ceding commissions paid	31,881	(1)	-	31,880
Recoveries from reinsurance (net of commissions related to claims)	(12,944)	-	-	(12,944)
Total cash flows	18,937	(1)	-	18,936
Net balance as at 31 December 2023	(83,824)	829	19,390	(63,605)
Closing assets	4,392	136	5,466	9,994
Closing liabilities	(88,216)	693	13,924	(73,599)
Net balance as at 31 December 2023	(83,824)	829	19,390	(63,605)

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.4 Impact of contracts recognized in the year

Insurance contracts and investment contract contracts with DPF

	<u>Note</u>	Year ended 31.12.2024			Year ended 31.12.2023		
		<u>Non-onerous contracts</u> HK\$'000	<u>Onerous contracts</u> HK\$'000	<u>Total</u> HK\$'000	<u>Non-onerous contracts</u> HK\$'000	<u>Onerous contracts</u> HK\$'000	<u>Total</u> HK\$'000
Insurance acquisition cash flows							
Claims and other directly attributable expenses		424	-	424	331	-	331
Estimates of the present value of future cash outflows		4,163	-	4,163	2,216	-	2,216
Estimates of the present value of future cash inflows		4,587	-	4,587	2,547	-	2,547
Risk adjustment for non-financial risk		(5,259)	-	(5,259)	(2,819)	-	(2,819)
CSM		2	-	2	-	-	-
Losses on onerous contract		670	-	670	272	-	272
		-	-	-	-	-	-

Reinsurance contracts held

	<u>Note</u>	Year ended 31.12.2024			Year ended 31.12.2023		
		<u>Contracts originated not in a net gain</u> HK\$'000	<u>Contracts originated in a net gain</u> HK\$'000	<u>Total</u> HK\$'000	<u>Contracts originated not in a net gain</u> HK\$'000	<u>Contracts originated in a net gain</u> HK\$'000	<u>Total</u> HK\$'000
Estimates of the present value of future cash inflows		-	-	-	-	-	-
Estimates of the present value of future cash outflows		-	-	-	-	-	-
Risk adjustment for non-financial risk		-	-	-	-	-	-
Income recognised on initial recognition		-	-	-	-	-	-
CSM		-	-	-	-	-	-

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.5 Insurance revenue and the CSM by transition method

Insurance contracts and investment contract contracts with DPF

	Note	Contracts under modified retrospective approach HK\$'000	Contracts under fair value approach HK\$'000	All other contracts HK\$'000	Total HK\$'000
Insurance revenue		421	85,130	15,379	100,930
CSM as at 1 January 2024		1,662	173,771	-	175,433
Changes that relate to current service					
CSM recognised in profit or loss for the services provided		(92)	(7,989)	(10)	(8,091)
Changes that relate to future service					
Changes in estimates that adjust the CSM		(502)	(110,840)	(437)	(111,779)
Contracts initially recognised in the period		-	-	670	670
Finance expenses from insurance contracts issued		26	(335)	(1)	(310)
Total changes in the statement of profit or loss and other comprehensive income		(568)	(119,164)	222	(119,510)
CSM as at 31 December 2024		1,094	54,607	222	55,923
	Note	Contracts under modified retrospective approach HK\$'000	Contracts under fair value approach HK\$'000	All other contracts HK\$'000	Total HK\$'000
Insurance revenue		450	105,208	17,472	123,130
CSM as at 1 January 2023		2,050	109,003	-	111,053
Changes that relate to current service					
CSM recognised in profit or loss for the services provided		(140)	(23,870)	-	(24,010)
Changes that relate to future service					
Changes in estimates that adjust the CSM		(281)	88,770	(272)	88,217
Contracts initially recognised in the period		-	-	272	272
Finance expenses from insurance contracts issued		33	(132)	-	(99)
Total changes in the statement of profit or loss and other comprehensive income		(388)	64,768	-	64,380
CSM as at 31 December 2023		1,662	173,771	-	175,433

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.5 Insurance revenue and the CSM by transition method - continued

Reinsurance contracts held

	Note	<u>Contracts under modified retrospective approach</u> HK\$'000	<u>Contracts under fair value approach</u> HK\$'000	<u>All other contracts</u> HK\$'000	<u>Total</u> HK\$'000
Reinsurance expense		-	23,431	2,869	26,300
CSM as at 1 January 2024		-	19,390	-	19,390
Changes that relate to current service					
CSM recognised in profit or loss for the services received		-	(2,149)	-	(2,149)
Changes that relate to future service					
Changes in estimates that adjust the CSM		-	1,094	-	1,094
Contracts initially recognised in the period		-	-	-	-
Finance income from reinsurance contract held		-	272	-	272
Total changes in the statement of profit or loss and other comprehensive income		-	(783)	-	(783)
CSM as at 31 December 2024		-	18,607	-	18,607

	Note	<u>Contracts under modified retrospective approach</u> HK\$'000	<u>Contracts under fair value approach</u> HK\$'000	<u>All other contracts</u> HK\$'000	<u>Total</u> HK\$'000
Reinsurance expense		-	23,587	2,816	26,403
CSM as at 1 January 2023		-	18,538	-	18,538
Changes that relate to current service					
CSM recognised in profit or loss for the services received		-	(2,541)	-	(2,541)
Changes that relate to future service					
Changes in estimates that adjust the CSM		-	3,108	-	3,108
Contracts initially recognised in the period		-	-	-	-
Finance income from reinsurance contract held		-	285	-	285
Total changes in the statement of profit or loss and other comprehensive income		-	852	-	852
CSM as at 31 December 2023		-	19,390	-	19,390

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. INSURANCE AND REINSURANCE CONTRACTS - continued

17.6 Expected Recognition of the Contractual Service Margin

	2024		2023	
	Insurance contracts and investment contracts with DPF HK\$'000	Reinsurance contracts held HK\$'000	Insurance contracts and investment contracts with DPF HK\$'000	Reinsurance contracts held HK\$'000
1 year or less	7,154	2,022	21,311	2,251
1-2 years	6,304	1,803	18,921	1,990
2-3 years	5,559	1,608	16,796	1,760
3-4 years	4,887	1,438	14,852	1,560
4-5 years	4,281	1,286	13,107	1,384
5-10 years	14,934	4,665	45,490	4,902
More than 10 years	12,804	5,785	44,956	5,543
Total	55,923	18,607	175,433	19,390

18. INVESTMENT CONTRACT LIABILITIES WITHOUT DPF (gross)

Financial liabilities in investment contracts represent the amount which the policyholders of investment contracts without DPF are entitled to as at the end of the reporting period. The fair values, determined based on the fair value of underlying financial assets and derivatives at the end of the reporting period, approximate to the corresponding carrying amounts.

	Year ended <u>31.12.2024</u> HK\$'000	Year ended <u>31.12.2023</u> HK\$'000
<u>Reserves</u>		
At beginning of year	105,107	100,836
Premiums/contributions received	946	1,045
Fee deducted from account balance	(566)	(547)
Release in reserve on claims, surrenders and maturities, and unit appreciation/depreciation	(1,819)	3,773
At end of year	<u>103,668</u>	<u>105,107</u>
<u>Unearned fees reserve</u>	<u>31.12.2024</u> HK\$'000	<u>31.12.2023</u> HK\$'000
At beginning of year	195	182
Deferrals	-	-
Interest Accrued	8	13
Amortisation	(96)	-
At end of year	<u>107</u>	<u>195</u>

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

19. PENSIONS – DEFINED CONTRIBUTION PLANS

The pensions-defined contribution plans for the current and prior years were borne and recharged to the Company by the immediate holding company.

20. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<u>At 31.12.2024</u> HK\$'000	<u>At 31.12.2023</u> HK\$'000
Deposits with banks		
Fixed term	276,030	261,208
Current accounts	404,770	423,471
	<u>680,800</u>	<u>684,679</u>
Less:		
Fixed Term bank deposits with maturity over three months:	<u>(276,030)</u>	<u>(261,208)</u>
	<u>404,770</u>	<u>423,471</u>

Deposits with banks represent cash at current accounts with banks and deposits placed with various banks at interest rate up to 4.5% per annum (2023: up to 5.7% per annum).

The directors consider the carrying values of the above items approximately equal to their fair values.

21. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets

The amounts due from group companies are unsecured, non-interest bearing and due on demand.

The debtors and amounts due from group companies at the end of the reporting period are stated at amortised cost using the effective interest method less any impairment losses.

All of these balances are classified as current assets.

Other than those disclosed above, none of these financial assets is either past due or impaired.

Other financial liabilities

The amounts due to group companies are unsecured, non-interest bearing and due on demand.

Creditors and accrued charges and amounts due to group companies are subsequently measured at amortised cost using the effective interest method.

The directors consider the carrying values of the above items approximately equal to their fair values.

All of these balances are classified as current liabilities.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. EQUITY COMPENSATION BENEFITS

AXA SA STOCK OPTION PLAN

Certain eligible employees of the 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%

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.

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. EQUITY COMPENSATION BENEFITS - continued

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.

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 WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. EQUITY COMPENSATION BENEFITS - continued

The following tables disclose details of the relevant share options held by employees of the Company and movements in such holdings during the year:

	<u>Number of units per plan type</u>
	<u>AXA</u>
	<u>International</u>
	<u>Performance</u>
	<u>Share Plan</u>
Outstanding at 1 January 2023	44,990
Granted during the year	17,955
Exercised/paid out during the year	(16,891)
Adjustment due to performance conditions/other reason	651
Outstanding at 31 December 2023	46,705
Granted during the year	22,327
Exercised/paid out during the year	(15,709)
Adjustment due to performance conditions/other reason	1,777
Outstanding at 31 December 2024	55,100
Exercisable at end of year	-

The expenses arising from equity-settled share-based payments during the period relate to options granted to certain eligible employees for services provided to the Company and other group companies. Accordingly, the entire cost of these options, representing the amortization of the relevant share-based plans of HK\$23,694,473 (2023: HK\$20,642,692), was absorbed by a fellow subsidiary.

23. COMPARATIVE FIGURES

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

AXA WEALTH MANAGEMENT (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

24. RELATED PARTY TRANSACTIONS

During the year, the Company obtained key management personnel services from its immediate holding company, AXA China Region Insurance Company Limited.

During the year, the Company entered into the following major transactions with related parties:

	NOTES	Year ended 31.12.2024 HK\$'000	Year ended 31.12.2023 HK\$'000
Allocation of management expenses from immediate holding company	a	(16,993)	-
Allocation of management expenses from a fellow subsidiary	a	-	(15,888)
Reinsurance premium to the ultimate holding company		(506)	(491)
Trademark fees to the ultimate holding company	b	<u>(439)</u>	<u>(481)</u>

Notes:

- (a) Certain overhead costs borne by the group companies were allocated to the Company for sharing the common services and facilities on time spent basis.
- (b) The trademark fees are recharged from the ultimate holding company for the provision of brand usage.
- (c) Details of the Company's balances with related parties are set out in the statement of financial position.
- (d) During the year, the Company obtained key management personnel services from its immediate holding company, AXA China Region Insurance Company Limited. The key management personnel received unapportioned remuneration of HK\$44,443,000 (2023: HK\$38,226,000).