KPMG

OneDegree Hong Kong Limited

31 December 2024

Authorised to carry on General Business under Section 8 of the Insurance Ordinance since 15 April 2020

Directors' Report

The directors submit herewith their report together with the audited consolidated financial statements of OneDegree Hong Kong Limited (the "Company") for the year ended 31 December 2024.

Principal place of business

OneDegree Hong Kong Limited is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 20F, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

Principal activity

The Company was authorized by the Insurance Authority to carry on classes 1, 2, 7, 8, 9, 13 and 16 of General Business in or from Hong Kong as a virtual insurer under section 8 of the Insurance Ordinance (the "Ordinance") on 15 April 2020. The principal activity of the Company is underwriting general insurance business. The activity of its subsidiary is set out in note 12 to the consolidated financial statements.

Results and dividends

The results of the Company and its subsidiary (together the "Group") for the year ended 31 December 2024 are set out in the financial statements on pages 9.

The directors do not recommend the payment of a dividend.

Charitable donations

Charitable donations made by the Group during the year amounted to HK$Nil (2023: HK$29,710).

Directors

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

KWOCK Yin Lun
LAM Lee G.
LEUNG Alexander Te Yuen
MALIK Samita
LOK Chun Yu Henry

Directors (continued)

The director of the subsidiary of the Company during the financial year and up to the date of this report was as follows:

AI Financial Technology Company Limited

SHEN Ta Wei

In accordance with the Company's Articles of Association, the director shall continue in office.

Controllers

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

KWOCK Yin Lun
AI Financial Technology Holding Company

Equity-linked agreements

AI Financial Technology Holding Company ("AIFH"), the holding company of the Company, adopts a share option scheme, in which employees of the Company are granted share options of the holding company and the vesting of the share options are subject to the condition of them meeting the service condition of provision of employment service to the Company. Details of the share option scheme are disclosed in note 19 to the consolidated financial statements.

Apart from the above, no equity-linked agreements into which the Company entered subsisted at any time during the year.

Directors of the Company are also granted share options of the holding company in the capacity of employees under the share option scheme adopted by AIFH.

Apart from the above, at no time during the year was the Company, its parent company, subsidiary undertaking or fellow subsidiary undertaking a party to any arrangements to enable the directors or controllers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other company.

Directors' and controllers' material interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's holding company, subsidiary or fellow subsidiary was a party and in which a director or controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emoluments or payments to directors and controllers

Details of the emoluments paid to the directors of the Company during the year are set out in note 22 to the financial statements.

Apart from the above, no property was transferred, payment made, or loans advanced to, nor obligations assumed by or for, a director or controller of the Company or his nominees or associates during the year.

Share capital

Details of the Company's shares issued during the year are set out in note 17 to the consolidated financial statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

Permitted indemnity provisions

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

KWOCK Yin Lun

Director

30 APR 2025

Independent auditor's report to the member of OneDegree Hong Kong Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of OneDegree Hong Kong Limited (the "Company") and its subsidiary (together the "Group") set out on pages 9 to 62, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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Independent auditor's report to the member of OneDegree Hong Kong Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report to the member of OneDegree Hong Kong Limited (continued)

(Incorporated in Hong Kong with limited liability)

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units activities within the Group as a basis for forming to express an opinion on the group consolidated financial statements. We are responsible for the direction, supervision and review performance of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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Independent auditor's report to the member of OneDegree Hong Kong Limited (continued)

(Incorporated in Hong Kong with limited liability)

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

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

KPMG

Certified Public Accountants

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

30 APR 2025

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* HK$	*2023* HK$
Insurance revenue	14	217,959,575	143,508,401
Insurance service expenses	5	(245,015,754)	(196,738,572)
Net expenses from reinsurance contracts	14	(17,274,952)	(15,957,845)
Insurance service result		(44,331,131)	(69,188,016)
Other income	3	4,201,913	4,390,228
Other net income	4	616,814	568,285
Other management expenses	5	(3,092,586)	(2,949,934)
Other administrative expenses	5	(7,806,729)	(9,688,977)
Finance costs		(110,091)	(187,142)
Loss before tax		(50,521,810)	(77,055,556)
Income tax	6(b)	-	-
Loss for the year		(50,521,810)	(77,055,556)
Other comprehensive income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on consolidation		(2,730,383)	643,713
Total comprehensive income for the year		(53,252,193)	(76,411,843)

The notes on pages 16 to 62 form part of these consolidated financial statements.

Consolidated statement of financial position at 31 December 2024

(Expressed in Hong Kong dollars)

	Note	31 December 2024 HK$	31 December 2023 HK$
Assets			
Property, plant and equipment	7	3,097,833	3,506,861
Intangible asset	8	12,674,584	22,140,604
Statutory deposits	10	60,387,239	60,387,239
Reinsurance contract assets	14	46,447,075	38,012,835
Other receivables	9	8,179,209	7,817,004
Due from the holding company	13	53,667	53,667
Due from fellow subsidiaries	13	5,662,192	7,932,794
Cash and cash equivalents	11	70,957,951	47,332,730
Total assets		207,459,750	187,183,734
Liabilities			
Other payables	15	21,166,847	17,661,946
Tax payable	6(a)	63,268	65,671
Insurance contract liabilities	14	92,643,368	78,043,355
Lease liabilities	16	2,920,100	3,280,746
Provision for reinstatement cost		427,876	438,230
Total liabilities		117,221,459	99,489,948
NET ASSETS		90,238,291	87,693,786

Consolidated statement of financial position at 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	31 December 2024 HK$	31 December 2023 HK$
Capital and reserves			
Share capital	17	481,662,500	431,662,500
Share option reserve	18	43,737,061	37,940,363
Exchange reserve	18	(1,979,247)	751,136
Accumulated losses		(433,182,023)	(382,660,213)
TOTAL EQUITY		90,238,291	87,693,786

Approved and authorised for issue by the board of directors on 30 APR 2025

KWOCK Yin Lun	LOK, Chun Yu Henry	LEUNG Alexander Te Yuen
Director	Director	Director

The notes on pages 16 to 62 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Share capital HK$ (Note 17)	*Share option reserve* HK$ (Note 18a)	*Exchange reserve* HK$ (Note 18b)	*Accumulated losses* HK$	*Total* HK$
Balance at 1 January 2024	431,662,500	37,940,363	751,136	(382,660,213)	87,693,786
Loss for the year ended 31 December 2024	-	-	-	(50,521,810)	(50,521,810)
Other comprehensive income					
Exchange differences on consolidation	-	-	(2,730,383)	-	(2,730,383)
Other comprehensive income for the year	-	-	(2,730,383)	-	(2,730,383)
Total comprehensive income for the year	-	-	(2,730,383)	(50,521,810)	(53,252,193)
Transaction with owners:					
Contributions and distributions					
Issue of share capital (Note 17)	50,000,000	-	-	-	50,000,000
Equity-settled share-based payment transactions (Note 19)	-	5,796,698	-	-	5,796,698
Total transactions with owners	50,000,000	5,796,698	-	-	55,796,698
Balance at 31 December 2024	481,662,500	43,737,061	(1,979,247)	(433,182,023)	90,238,291

Consolidated statement of changes in equity for the year ended 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Share capital HK$ (Note 17)	*Share option reserve* HK$ (Note 18a)	*Exchange reserve* HK$ (Note 18b)	*Accumulated losses* HK$	*Total* HK$
Balance at 1 January 2023	381,475,000	30,743,373	107,423	(305,604,657)	106,721,139
Loss for the year ended 31 December 2023	-	-	-	(77,055,556)	(77,055,556)
Other comprehensive income					
Exchange differences on consolidation	-	-	643,713	-	643,713
Other comprehensive income for the year	-	-	643,713	-	643,713
Total comprehensive income for the year	-	-	643,713	(77,055,556)	(76,411,843)
Transaction with owners:					
Contributions and distributions					
Issue of share capital (Note 17)	50,187,500	-	-	-	50,187,500
Equity-settled share-based payment transactions (Note 19)	-	7,196,990	-	-	7,196,990
Total transactions with owners	50,187,500	7,196,990	-	-	57,384,490
Balance at 31 December 2023	431,662,500	37,940,363	751,136	(382,660,213)	87,693,786

The notes on pages 16 to 62 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	2024 HK$	2023 HK$
Operating activities			
Loss before tax		(50,521,810)	(77,055,556)
Adjustments for:			
Depreciation	7	3,792,915	4,664,402
Amortisation of intangible assets	8	9,466,020	3,762,352
Interest income	3	(3,569,306)	(3,186,582)
Loss on decognised of computer equipment		548	-
Finance cost	5	110,091	187,142
Equity-settled share-based payment transactions		5,796,698	7,196,990
Effect of foreign exchange rate changes		(2,738,480)	651,803
Operating loss before changes in working capital		(37,663,324)	(63,779,449)
(Increase)/decrease in operating assets:			
- Insurance and reinsurance contracts		6,165,773	9,120,200
- other receivables		(362,205)	401,608
- due from fellow subsidiaries		2,270,602	459,234
- provision for reinstatement cost		-	(182,000)
Increase/(decrease) in operating liabilities:			
- other payables		3,504,901	2,185,814
- tax payable		(2,403)	(939)
Cash generated from operations		11,576,668	11,983,917
Net cash used in operating activities		(26,086,656)	(51,795,532)

Consolidated cash flow statement for the year ended 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	*2024* HK$	*2023* HK$
Investing activities			
Payments for purchase of property, plant and equipment		(265,526)	(51,811)
Payments for purchase of intangible assets		-	(1,306,547)
Interest received		3,569,306	2,013,782
Increase in Statutory Deposits		-	(30,387,239)
Net cash generated from/(used in) investing activities		3,303,780	(29,731,815)
Financing activities			
Issuance of shares	17	50,000,000	50,187,500
Capital element of lease rentals paid	11(b)	(3,481,812)	(3,771,969)
Interest element of lease rentals paid	11(b)	(110,091)	(187,095)
Net cash generated from financing activities		46,408,097	46,228,436
Net increase/(decrease) in cash and cash equivalents		23,625,221	(35,298,911)
Cash and cash equivalents at 1 January		47,332,730	82,631,641
Cash and cash equivalents at 31 December		70,957,951	47,332,730

The notes on pages 16 to 62 form part of these financial statements.

Notes to the financial statements

Corporate information

OneDegree Hong Kong Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's registered office is located at 20F, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon. The Company was authorised by the Hong Kong Insurance Authority to carry on classes 1, 2, 7, 8, 9, 13, 16 of General Business in or from Hong Kong as a virtual insurer under section 8 of the Insurance Ordinance (the "Ordinance") on 15 April 2020. The principal activity of its subsidiary is set out in note 12 to the consolidated financial statements. The Company and its subsidiary are collectively referred to as the "Group". In the opinion of the directors, the immediate and ultimate holding company of the Company is AI Financial Technology Holding Company ("AIFH") which is incorporated in the Cayman Islands.

1 Material accounting policies

(a) *Basis of preparation*

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

A summary of the material accounting policies adopted by the Group is set out below.

(b) *Changes in accounting policies*

The Group has applied the following new and amended HKFRSs issued by the HKICPA to theses financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements - Classification of liabilities as current or non-current ("2020 amendments") and amendments* to HKAS 1, *Presentation of financial statements - Non-current liabilities with covenants ("2022 amendments")*

- Amendments to HKFRS 16, *Leases - Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures - Supplier finance arrangements*

None of the developments have had a material effect on how the Group's result and financial position for the current or prior periods. The Group has not applied any new standard or interpretation this is not yet effective for the current accounting period.

1 Material accounting policies (continued)

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for that, as explained in the accounting policies set out below:

- financial instruments measured at fair value through profit or loss ("FVPL") are stated at their fair value (see note 1(j)); and

- for insurance and reinsurance contracts and liabilities and assets for incurred claims are measured at fulfilment cash flows (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The financial statements of the subsidiary is prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiary are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

1 Material accounting policies (continued)

(d) Basis of consolidation

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

(e) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

1 Material accounting policies (continued)

(f) Insurance and reinsurance contracts - Classification

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

The Group does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

(g) Insurance and reinsurance contracts

i. Separating components from insurance and reinsurance contracts

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and

- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

1 Material accounting policies (continued)

ii. Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the 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 annual cohort.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract.

1 Material accounting policies (continued)

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

- Reinsurance contracts initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts.

- Other reinsurance contracts initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Group's excess of loss and stop loss reinsurance contracts.

iii. Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

The Group has chosen to expense insurance acquisition cash flows when they are incurred.

1 Material accounting policies (continued)

iv. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when: - the Group 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 Group 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 up to the reassessment date does not take into account risks that relate to periods after the reassessment date. The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude expense risk.
Reinsurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer: - has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or - has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

1 Material accounting policies (continued)

v. Measurement

The Group uses the PAA to simplify the measurement of groups of contracts for insurance and reinsurance contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less.

- Reinsurance contracts: The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the general measurement model ("GMM"). When comparing the different possible measurements, the Group considers the impact of the different release patterns of the asset for remaining coverage ("ARC") to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided (see (vii)). On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage 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 Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are not discounted because the liability for incurred claims is also not discounted.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are not discounted because they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage.

1 Material accounting policies (continued)

vi. Derecognition and contract modification

The Group derecognises a contract when it is extinguished - i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

vii. Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

Income and expenses from insurance contracts are presented under insurance service result, comprising insurance revenue and insurance service expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period on the passage of time.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items.

- Incurred claims and other insurance service expenses
- Insurance acquisition cash flows
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

1 Material accounting policies (continued)

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

viii. Transition

The Group applied the full retrospective approach to all insurance and reinsurance contracts.

(h) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(p)) are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Office equipment	3 years
Computer equipment	3 years

Right-of-use assets and the leasehold improvement are depreciated over the shorter of the unexpired term of lease and the assets' estimated useful lives.

(i) Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 2 to 3 years.

1 Material accounting policies (continued)

(j) Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include deposits and other receivables, due from the holding company, due from fellow subsidiaries and cash and cash equivalents.

1 Material accounting policies (continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value minus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include other payables. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under HKFRS 9

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1 Material accounting policies (continued)

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Company); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

1 Material accounting policies (continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Low credit risk

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

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

1 Material accounting policies (continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(l) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, if there is objective evidence that the receivable is impaired.

1 Material accounting policies (continued)

(m) *Other payables*

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) *Foreign currency translation*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong Dollars ("HK$").

Foreign currency transactions 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 profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

(o) *Impairment of non-financial asset*

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, intangible asset and interest in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible asset that have indefinite useful lives and intangible asset that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

1 Material accounting policies (continued)

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

(p) *Leased assets*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(o)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the Group presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

1 Material accounting policies (continued)

(q) *Employee benefits*

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Long Service Payment ("LSP") under the Hong Kong Employment Ordinance

For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Company's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(r) *Share-based payment transactions*

Equity-settled transactions

The Group's employees, including the directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity, which in effect is a form of capital contribution from parent company if the Group is not the settling entity in the group share-based payment transaction. The fair value is determined taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the period of review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date the amount previously recognised in the share option reserve will be transferred to accumulated losses.

1 Material accounting policies (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

(s) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising 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 the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the year when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

1 Material accounting policies (continued)

(u) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Insurance revenue

The accounting policies for the recognition of insurance revenue are disclosed in note 1(g)(v).

(ii) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method.

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the parent of the Group.

1 Material accounting policies (continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

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

1 Material accounting policies (continued)

(w) *Critical accounting estimates and judgements*

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the year of revision and future periods, in case the revision also affects future periods.

Recognition of intangible asset

Careful judgement by the management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of each of the reporting period. In addition, all internal activities related to the research and development of new software systems are continuously monitored by the management.

Impairment of intangible asset

The Group determines whether intangible asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determination of the lease term

As explained in note 1(p), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases, the Group evaluates the likelihood of making renewal of lease arrangement taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- a risk adjustment for non-financial risk.

1 Material accounting policies (continued)

Estimates of future cash flows

The Group estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups.

The risk adjustments for non-financial risk are determined using a confidence level technique.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Eligibility considerations of the PAA

The Group applies the PAA to simplify the measurement of insurance and reinsurance contracts. In addition to the contracts with coverage of within one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the liabilities for remaining coverage and the assets for remaining coverage that would not differ materially from the one that would be produced by applying the GMM. Although all insurance contracts underwritten by the Group have a coverage period within one year, certain reinsurance contracts held by the Group have a coverage period over one year.

1 Material accounting policies (continued)

For reinsurance contracts held by the Group with coverage period over one year, the Group exercises significant judgement to determine whether there the ARC measured under GMM is materially different with the ARC measured under PAA. In the event for a group of insurance contracts, the ARC results between the measurement model differs larger than the thresholds determined by the Company, the group of contracts will not be eligible for the PAA and the Group shall apply the GMM to recognise and measure that group of insurance contracts.

The judgements exercised in setting the thresholds to determine "material difference" in the above assessment fundamentally affect the approach the group of insurance contracts is recognised and presented in the consolidated financial statements. The accounting policy on PAA's recognition and measurement is described in note 1(g)(v).

2 Insurance and financial risk management

(a) Insurance risk management

(i) Risk management objectives and policies for mitigating insurance risk

Insurance risks are managed through underwriting limits, approval procedures for transactions that exceed set limits, pricing guidelines, reinsurance management and monitoring of emerging business.

The principal risk is that the frequency or severity of claims is greater than expected. In addition, for some contracts, there is uncertainty about the timing of insured events. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(ii) Underwriting strategy

The Group's underwriting strategy is based on a large portfolio of similar risk, as such, reduced the variability outcome.

The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Group is prepared to underwrite. All of the general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

2 Insurance and financial risk management (continued)

(iii) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to harmonize its net retention exposure to avoid any significant adverse impact to its financial performance. The reinsurance protections are chosen after careful consideration of reinsurers' reputation and creditworthiness.

(iv) Asset and liability matching

A key aspect in the management of the Group 's insurance risk is through matching the timing of cash flows from assets and liabilities.

The Group actively manages its assets using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to maximise investment returns at a tolerable risk level whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

(v) Nature of risk covered

The principal insurance risks written by the Group are general liability and property damage. The estimated liability for incurred claims are analysed in the table below:

	2024			2023		
Class of business	*Gross provision for liability for incurred claims* HK$	*Reinsurers' share of provision for liability for incurred claims* HK$	*Net provision for liability for incurred claims* HK$	*Gross provision for liability for incurred claims* HK$	*Reinsurers' share of provision for liability for incurred claims* HK$	*Net provision for liability for incurred claims* HK$
Property damage	15,597,888	(122,892,292)	(107,294,404)	11,164,188	(38,523,299)	(27,359,111)
General Liabilities	2,855,603	(1,354,790)	1,500,813	1,735,395	(342,000)	1,393,395
Accident & Health	353,200	(755,304)	(402,104)	551,234	(238,029)	313,205
	18,806,691	(125,002,386)	(106,195,695)	13,450,817	(39,103,328)	(25,652,511)

(vi) Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Group. The uncertainty is typically resolved within one year.

2 Insurance and financial risk management (continued)

Analysis of claims development - gross of reinsurance

	2024 HK$	2023 HK$
Estimate of cumulative claims	305,491,577	185,324,686
Cumulative payments to date	(286,684,886)	(171,873,869)
Gross provision for liability for incurred claims at 31 December (note 14)	18,806,691	13,450,817

Analysis of claims development - net of reinsurance

	2024 HK$	2023 HK$
Estimate of cumulative claims	30,027,560	36,287,491
Cumulative payments to date	(136,223,255)	(61,940,002)
Net provision for liability for incurred claims at 31 December (note 14)	(106,195,695)	(25,652,511)

Sensitivity analysis

The general insurance claims provision is sensitive to unpaid claims and expenses. The sensitivity of certain assumptions, e.g., legislative change and uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of the delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision is not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

The sensitivity analysis below has been determined based on the exposure to insurance risks at the reporting date. 5% is the sensitivity rate used by the management to assess the insurance risk arising from reasonably possible change in the LIC and AIC, profit or loss after tax and equity as at the end of the reporting period to key management personnel.

2 Insurance and financial risk management (continued)

	2024			2023		
	Impact on (LIC)/AIC HK$	*Impact on profit or loss after income tax* HK$	*Impact on equity* HK$	*Impact on (LIC)/AIC* HK$	*Impact on profit or loss after income tax* HK$	*Impact on equity* HK$
Unpaid claims and expenses - 5% increase						
Insurance contract liabilities	(940,355)	940,355	940,355	(672,541)	672,541	672,541
Reinsurance contract assets	5,309,785	(5,309,785)	(5,309,785)	1,955,166	(1,955,166)	(1,955,166)
	4,369,430	(4,369,430)	(4,369,430)	1,282,625	(1,282,625)	(1,282,625)

(b) *Financial risk management*

The Group's principal financial instruments comprise mainly insurance contract liabilities, reinsurance contact assets, cash and cash equivalents, statutory deposits, due from the holding company, due from fellow subsidiaries, deposits and other receivables and other payables. The main purpose of the financial instrument is to raise and maintain finance for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group has established management policies and guidelines for risk management and compliance.

The directors generally adopt conservative strategies on the Group's risk management and limit the Group's exposure to these risks to a minimum.

(i) Market risk

Interest rate risk

Interest rate risk is the risk that the value of or future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates is concentrated in its cash and cash equivalents and statutory deposits, amounting to HK$131,345,190 (2023: HK$107,719,969) as at 31 December 2024.

Foreign exchange risk

The Group issues insurance contracts which are primarily denominated in Hong Kong dollars. The Group is exposed to foreign currency risk mainly arising from cash and cash equivalents which are denominated in United States dollars ("USD"). As HKD is pegged to USD, the exposure to foreign exchange risk is considered not significant.

2 Insurance and financial risk management (continued)

(ii) Credit risk

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

Other receivables, due from the holding company and due from fellow subsidiaries

The Group considers that deposits and other receivables, due from the holding company and due from fellow subsidiaries are subject to low credit risk based on low risk of default and the ECL of these balances is insignificant after taking into account the credit quality of the counterparties and significance of the balances.

Cash and cash equivalents

The Group's cash and cash equivalents are placed with creditworthy banks in Hong Kong and Taiwan. The management of the Group considers the ECL of these financial assets to be insignificant after taking into account the credit quality of the counterparties and probability of default.

(iii) Liquidity risk

The Group's objectives when managing liquidity risk are to maintain sufficiency reserves of cash to ensure sufficient and flexible funding is available to the Group. Also, the Group's policy is to regularly monitor current and expected liquidity requirements, in particular relating to repayments of debts. All insurance contract liabilities of the Group are expected to be settled within one year. Financial liabilities of the Group are repayable on demand, except lease liabilities (see note 16).

3 Other income

	2024 HK$	*2023* HK$
Fee income	632,607	1,203,646
Bank interest income	3,569,306	3,186,582
	4,201,913	4,390,228

4 Other net income

	2024 HK$	*2023* HK$
Other income	422,658	410,682
Exchange gain	194,156	157,603
	616,814	568,285

5 Expenses

	2024 HK$	*2023* HK$
Claims and benefits	120,208,899	84,407,343
Staff costs (including directors' remuneration)		
Employee benefit expense	56,581,229	54,117,221
Contributions to defined contribution plans	2,880,961	2,747,639
Equity-settled share-based payment expenses	5,796,698	7,196,990
Total staff costs (including directors' remuneration)	65,258,888	64,061,850
Auditors' remuneration	1,148,600	1,200,000
Legal and professional costs	753,021	963,199
Depreciation and amortisation on property and equipment and other intangible assets	13,258,935	8,426,754
Others	55,396,817	50,505,479
	256,025,160	209,564,625
Represented by		
Insurance service expenses	245,015,754	196,738,572
Other management expenses	3,092,586	2,949,934
Other administrative expenses	7,806,729	9,688,977
Finance costs	110,091	187,142
	256,025,160	209,564,625

6 Taxation

(a) Tax payable:

The tax payable represents value-added tax charged by Taiwan tax authority to AI Financial Technology Company Limited, the subsidiary of the Company, on the price of goods and services.

Hong Kong Profits Tax at the rate of 16.5% (2023: 16.5%) has not been provided as the Group incurred a loss for taxation purposes.

The corporate income tax of Taiwan at the rate of 20% (2023: 20%) has not been provided as the subsidiary has no assessable profit during the years.

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2024 HK$	*2023* HK$
Reconciliation of tax expense		
Loss before tax	(50,521,810)	(77,055,556)
Income tax at applicable tax rate	(8,336,671)	(12,724,314)
Tax effect of non-taxable income	(585,770)	(525,821)
Tax effect of non-deductible expense	984,541	1,356,296
Tax effect of temporary difference not recognised	(882,612)	(231,198)
Tax effect of unrecognised tax loss	8,820,512	12,125,037
Tax expense for the year	-	-

Unrecognised deferred tax assets arising from tax losses amount to approximately HK$366,317,000 (2023: HK$318,221,000) at end of the reporting period which does not expire under current tax legislation. Deferred tax assets have not been recognised in respect of the tax losses due to unpredictability of future taxable profit will be available against which the Group can utilise the benefits therefrom. Except for tax losses of 2024 and 2023 arising in a foreign tax jurisdiction of HK$237,983 and HK$179,265, which will expire on 31 December 2034 and 31 December 2033 respectively, these tax losses do not expire under the current tax legislation.

7 Property, plant and equipment

	Computer equipment HK$	*Office equipment* HK$	*Leasehold improvement* HK$	*Right-of-use assets* HK$	*Total* HK$
Cost:					
At 1 January 2023	3,089,369	578,930	1,450,882	10,500,599	15,619,780
Additions	26,911	-	24,900	-	51,811
Exchange revaluation	(74,182)	(18,066)	(1,110)	(179,101)	(272,459)
Disposal	-	-	-	(2,181,807)	(2,181,807)
At 31 December 2023	3,042,098	560,864	1,474,672	8,139,691	13,217,325
Accumulated depreciation:					
At 1 January 2023	(2,183,655)	(452,094)	(1,308,860)	(3,395,283)	(7,339,892)
Charge for the year	(648,558)	(83,676)	(148,639)	(3,783,529)	(4,664,402)
Exchange revaluation	57,292	14,735	832	39,164	112,023
Written back on disposal	-	-	-	2,181,807	2,181,807
At 31 December 2023	(2,774,921)	(521,035)	(1,456,667)	(4,957,841)	(9,710,464)
Net book value:					
At 31 December 2023	267,177	39,829	18,005	3,181,850	3,506,861
Cost:					
At 1 January 2024	3,042,098	560,864	1,474,672	8,139,691	13,217,325
Additions	186,998	41,204	37,324	3,175,034	3,440,560
Exchange revaluation	(69,739)	(16,743)	(1,028)	(165,998)	(253,508)
Disposal	(548)	-	-	(3,983,762)	(3,984,310)
At 31 December 2024	3,158,809	585,325	1,510,968	7,164,965	12,420,067
Accumulated depreciation:					
At 1 January 2024	(2,774,921)	(521,035)	(1,456,667)	(4,957,841)	(9,710,464)
Charge for the year	(283,646)	(41,101)	(21,580)	(3,446,588)	(3,792,915)
Exchange revaluation	66,870	16,047	977	113,489	197,383
Written back on disposal	-	-	-	3,983,762	3,983,762
At 31 December 2024	(2,991,697)	(546,089)	(1,477,270)	(4,307,178)	(9,322,234)
Net book value:					
At 31 December 2024	167,112	39,236	33,698	2,857,787	3,097,833

7 Property, plant and equipment (continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	*2024* HK$	*2023* HK$
Properties leased for own use, carried at depreciated cost	(i)	2,857,787	3,181,850

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 HK$	*2023* HK$
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	3,446,588	3,783,529
Interest on lease liabilities	110,091	187,095

During the year, there was an addition to the right-of-use assets amounting to HK$3,175,034 (2023: HK$Nil). This amount is related to the capitalised lease payments payable under new tenancy agreement for an office the Group is using.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 11(c) and 16 respectively.

(i) Properties leased for own use

The Group has obtained the right to use properties as its office premises and apartments through tenancy agreements. The leases typically run for an initial period of 3 to 10 years.

Leases may include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

8 Intangible asset

	Computer software 2024 HK$	*Computer software 2023* HK$
Cost:		
At 1 January	35,932,511	34,630,861
Additions	-	1,306,547
Exchange revaluation	-	(4,897)
At 31 December	35,932,511	35,932,511
Accumulated amortisation:		
At 1 January	13,791,907	10,034,452
Charge for the year	9,466,020	3,762,352
Exchange revaluation	-	(4,897)
At 31 December	23,257,927	13,791,907
Net book value:		
At 31 December	12,674,584	22,140,604

9 Other receivables

	2024 HK$	*2023* HK$
Deposits and other receivables	8,179,209	7,817,004

The amount of other receivables expected to be recovered after more than one year is HK$27,233 (2023: HK$970,791).

10 Statutory deposits

As at 31 December 2024, the Group and the Company has deposited with a bank amounting to HK$60,387,239 (2023: HK$60,387,239) pursuant to section 35(1) and 35A of the HKIO.

All of the statutory deposits are expected to be recovered after more than one year.

11 Cash and cash equivalents and other cash flow information

(a) *Cash and cash equivalents comprise:*

	2024 HK$	2023 HK$
Cash at bank and on hand	14,844,704	15,053,072
Time deposit with original maturity less than 3 months	56,113,247	32,279,658
Cash and cash equivalents in the consolidated cash flow statement	70,957,951	47,332,730

(b) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statement as cash flows from financing activities.

	2024 HK$	2023 HK$
Lease liabilities		
At 1 January	3,280,746	7,193,891
Changes from financing cash flows:		
Capital element of lease rentals paid	(3,481,812)	(3,771,969)
Interest element of lease rentals paid	(110,091)	(187,095)
Total changes from financing cash flows	(3,591,903)	(3,959,064)
Other changes:		
Increase in lease liabilities from entering into new leases during the year	3,175,034	-
Exchange revaluation	(53,868)	(141,176)
Finance costs	110,091	187,095
Total other changes	3,231,257	45,919
At 31 December	2,920,100	3,280,746

11 Cash and cash equivalents and other cash flow information (continued)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2024 HK$	*2023* HK$
Within operating cash flows	-	-
Within financing cash flows	3,591,903	3,959,064
	3,591,903	3,959,064

12 Interest in a subsidiary

	2024 HK$	*2023* HK$
Unlisted shares, at cost	26,000	26,000

AI Financial Technology Company Limited ("甯寶金融科技有限公司") ("the Subsidiary"), is 100% owned by the Company. The class of shares held by the Company is registered capital. The total paid-up share capital of the subsidiary is HK$26,000. The Subsidiary's principal place of business and place of incorporation is in Republic of China (Taiwan). Its principal activity is technology consulting.

13 Due from the holding company and fellow subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

14 Insurance and reinsurance contracts

	At 31 December 2024 $	*At 31 December 2023* $
Insurance contracts		
Insurance contract liabilities	92,643,368	78,043,355
Reinsurance contracts		
Reinsurance contract assets	46,447,075	38,012,835

14 Insurance and reinsurance contracts (continued)

(a) *Movements in insurance and reinsurance contract balances*

Insurance contracts

	Note	2024 Liabilities for remaining coverage HK$	2024 Liabilities for incurred claims: Estimates of present value of future cash flows HK$	2024 Liabilities for incurred claims: Risk adjustment for non-financial risk HK$	2024 Total HK$	2023 Liabilities for remaining coverage HK$	2023 Liabilities for incurred claims: Estimates of present value of future cash flows HK$	2023 Liabilities for incurred claims: Risk adjustment for non-financial risk HK$	2023 Total HK$
Opening liabilities		64,592,538	11,520,548	1,930,269	78,043,355	39,017,991	7,796,530	1,249,776	48,064,297
Changes in the statement of profit or loss and OCI									
Insurance revenue		(217,959,575)	-	-	(217,959,575)	(143,508,401)	-	-	(143,508,401)
Insurance service expenses									
Incurred claims and other insurance service expenses		-	208,339,819	701,830	209,041,649	-	155,868,814	680,493	156,549,307
Insurance acquisition cash flows		38,986,317	-	-	38,986,317	36,852,190	-	-	36,852,190
Adjustments to liabilities for incurred claims		-	(3,012,212)	-	(3,012,212)	-	3,337,075	-	3,337,075
		38,986,317	205,327,607	701,830	245,015,754	36,852,190	159,205,889	680,493	196,738,572
Insurance service result		(178,973,258)	205,327,607	701,830	27,056,179	(106,656,211)	159,205,889	680,493	53,230,171
Total changes in the statement of profit or loss and OCI		(178,973,258)	205,327,607	701,830	27,056,179	(106,656,211)	159,205,889	680,493	53,230,171
Cash flows									
Premiums received		227,203,714	-	-	227,203,714	169,082,948	-	-	169,082,948
Claims and other insurance service expenses paid		-	(200,673,563)	-	(200,673,563)	-	(155,481,871)	-	(155,481,871)
Insurance acquisition cash flows		(38,986,317)	-	-	(38,986,317)	(36,852,190)	-	-	(36,852,190)
Total cash flows		188,217,397	(200,673,563)	-	(12,456,166)	132,230,758	(155,481,871)	-	(23,251,113)
Closing liabilities		73,836,677	16,174,592	2,632,099	92,643,368	64,592,538	11,520,548	1,930,269	78,043,355

14 Insurance and reinsurance contracts (continued)

Reinsurance contracts

	Note	2024				2023			
			Assets for incurred claims				Assets for incurred claims		
		Assets for remaining coverage HK$	*Estimates of present value of future cash flows* HK$	*Risk adjustment for non-financial risk* HK$	*Total* HK$	*Assets for remaining coverage* HK$	*Estimates of present value of future cash flows* HK$	*Risk adjustment for non-financial risk* HK$	*Total* HK$
Opening assets		(1,090,493)	38,118,142	985,186	38,012,835	6,447,811	10,280,205	425,961	17,153,977
Changes in the statement of profit or loss and OCI									
Allocation of reinsurance premiums paid		(96,144,920)	-	-	(96,144,920)	(73,749,862)	-	-	(73,749,862)
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		-	77,173,511	712,050	77,885,561	-	55,699,367	559,225	56,258,592
Adjustments to assets for incurred claims		-	984,407	-	984,407	-	1,591,094	-	1,591,094
		-	78,157,918	712,050	78,869,968	-	57,290,461	559,225	57,849,686
Investment components and premium refunds		(20,839,554)	20,839,554	-	-	(7,681,993)	7,681,993	-	-
Effect of changes in non-performance risk of reinsurers		-	-	-	-	-	(57,669)	-	(57,669)
Net expenses from reinsurance contracts		(116,984,474)	98,997,472	712,050	(17,274,952)	(81,431,855)	64,914,785	559,225	(15,957,845)
Net finance income from reinsurance contracts		-	-	-	-	-	-	-	-
Effect of movements in exchange rates		-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI		(116,984,474)	98,997,472	712,050	(17,274,952)	(81,431,855)	64,914,785	559,225	(15,957,845)
Cash flows									
Premiums paid		39,519,656	-	-	39,519,656	73,893,551	-	-	73,893,551
Amounts received		-	(13,810,464)	-	(13,810,464)	-	(37,076,848)	-	(37,076,848)
Total cash flows		39,519,656	(13,810,464)	-	25,709,192	73,893,551	(37,076,848)	-	36,816,703
Closing assets		(78,555,311)	123,305,150	1,697,236	46,447,075	(1,090,493)	38,118,142	985,186	38,012,835

15 Other payables

	2024 HK$	2023 HK$
Other payables	21,166,847	17,661,946

All other payables are expected to be settled within one year.

16 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting period:

	2024		2023	
	Present value of the lease payments HK$	*Total lease payments* HK$	*Present value of the lease payments* HK$	*Total lease payments* HK$
Within 1 year	2,761,604	2,802,351	2,616,949	2,684,801
After 1 year but within 2 years	42,890	46,085	499,282	506,534
After 2 years but within 5 years	115,606	119,054	136,775	143,508
After 5 years	-	-	27,740	27,904
	158,496	165,139	663,797	677,946
	2,920,100	2,967,490	3,280,746	3,362,747
Less: total future interest expenses		(47,390)		(82,001)
Present value of lease liabilities		2,920,100		3,280,746

17 Share capital

	Note	2024 No. of shares	2024 HK$	2023 No. of shares	2023 HK$
Ordinary shares issued and fully paid:					
At 1 January		431,662,500	431,662,500	381,475,000	381,475,000
Issue of shares during the year	(a)	50,000,000	50,000,000	50,187,500	50,187,500
At 31 December		481,662,500	481,662,500	431,662,500	431,662,500

(a) During 2024, the Company issued 50,000,000 ordinary shares for HK$50,000,000 (2023: 50,187,500 ordinary shares for HK$50,187,500) to its holding company, AIFH.

18 Reserves

(a) *Share option reserve*

Share option reserve represents the share based payments recognised relating to the share options granted under a share option scheme of parent company, AIFH, which are dealt with in accordance with the accounting policies adopted for share-based payment transactions.

(b) *Exchange reserve*

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiary. The reserve is dealt with in accordance with the accounting policies as set out in note 1(n) to the consolidated financial statements.

19 Share option scheme

AIFH adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to attract, motivate, retain, compensate and reward the loyalty of key valued employees, consultants and advisers of AIFH and its subsidiaries (together the "Participant"), and encourage share ownership in AIFH by those who meet the eligibility criteria and to provide an incentive for their continued employment in or provision of services to AIFH or its subsidiaries and contribution to the progressive growth and expansion of AIFH and its subsidiaries. The Scheme allows the Participants to exercise the options to subscribe shares of AIFH.

Options granted under the Scheme may generally be exercised according to the exercise period as follows:

(a) 25% of the options granted are exercisable after the expiry of 12-month period; and

19 Share option scheme (continued)

(b) an additional 1/48th of the options granted are exercisable on the last day of each month thereafter, and be exercised by:

(i) a Participant:

a. at any time during his employment with, or during the subsistence of any contract or arrangement for the provision of services to, AIFH or its subsidiary; and

b. until the date that is 1 year after the resignation, cessation or termination of employment or other service relationship of that Participant with AIFH or its subsidiary; or

(ii) a personal representative(s) of a Participant until the date that is 1 year after the death of that Participant.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant based on the market value at grant date.

The estimate of the fair value of the share options on the grant dates are based on the subscription price of each share of AIFH of the most recent fund raising activity. The subscription price of each share in the most recent fund raising activity before the dates of grant is deemed to be the fair value of each share of AIFH at the dates of grant. The fair value of each share option at the dates of grant is the difference between the fair value of each share of AIFH and the exercise price of each option.

	2024	*2023*
Weighted average share price (Par Value)	0.0001	0.0001
Weighted average exercise price	0.0001	0.0001

It is assumed that the effect of volatility is immaterial, given the exercise price is close to zero. It is also assumed that there will not be dividend declared for the shares.

Total expense in relation to share-based payment transactions under the Scheme recognised in the consolidated statement of profit or loss and other comprehensive income for the year was HK$5,796,698 (2023: HK$7,196,990).

Share options were granted under a service condition. This condition has not taken into account the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

19 Share option scheme (continued)

Movements of share options granted to employees of the Group during the year are as follows:

	2024			2023		
	Weighted average exercise price		*Number of options*	*Weighted average exercise price*		*Number of options*
Outstanding at the beginning of the year	$	0.0001	251,374,416	$	0.0001	211,924,413
Granted	$	0.0001	59,689,997	$	0.0001	77,450,000
Exercised	$	0.0001	(1,257,458)	$	0.0001	(19,668,719)
Forfeited	$	0.0001	(7,034,379)	$	0.0001	(18,331,278)
Outstanding at the end of the year	$		302,772,576	$	0.0001	251,374,416
Exercisable at the end of the year	$		204,911,902	$	0.0001	187,958,767

The options outstanding at 31 December 2024 had a weighted average exercise price of HK$0.0001 (2023: HK$0.0001). As long as a participant has a contract or arrangement for the provision of service to AIFH or its subsidiaries, the participant may exercise vested share options at any time. There is no expiry of vested share options unless a participant terminates employment or other service relationship with AIFH or its subsidiary. Given the turnover rate of the Group is low, there is no time limit on the remaining contractual life of share options.

20 Related party transactions

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	*Nature of transaction*	2024 HK$	2023 HK$
Key management personnel, including the directors	Compensation		
	Short-term employee benefits	939,600	879,600
	Post-employment benefits	-	-
	Total compensation	939,600	879,600
Fellow subsidiaries	Service fees	2,514,240	2,840,240

20 Related party transactions (continued)

During the year, the Group paid OneDegree Global (SG) PTE. LTD. HK$2,514,240 (2023: HK$2,840,240), for system supporting services.

During the year, OneDegree Hong Kong Limited provide a financial guarantee to a revolving loan obtained by the parent company, AI Financial Technology Holding Limited. As of 31 December 2024, AI Financial Technology Holding Limited has drawn down HK$50 million, which represents the maximum exposure to OneDegree Hong Kong Limited under the financial guarantee when AI Financial Technology Holding Limited default. We have assessed the probability that the Company is required to repay such amount under the financial guarantee arrangement for the upcoming 12-months is minimal.

As of the report date, AI Financial Technology Holding Limited was under discussion with the bank to remove the guarantee provided by the Company.

21 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to satisfy regulatory solvency requirements, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company's statutory solvency requirements in respect of its general insurance business are set out in the Insurance Ordinance. The Company complied with these externally imposed solvency requirements for both 2024 and 2023.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns and the advantages and security afforded by a sound capital position and adjusting the capital structure in the light of changes in economic conditions.

22 Information about the benefits of the directors

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

(a) *Directors' remuneration*

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

	Qualifying services		
	As a director HK$	*Other services in connection with the management of the affairs* HK$	*Total* HK$
Year ended 31 December 2024			
Emoluments	-	939,600	939,600
Retirement benefits	-	-	-
	-	939,600	939,600
Year ended 31 December 2023			
Emoluments	-	879,600	879,600
Retirement benefits	-	-	-
	-	879,600	879,600

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

There are no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the year.

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

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

23 Statement of financial position of the Company

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2024 is set out below:

	Note	2024 HK$	2023 HK$
Assets			
Property, plant and equipment		2,917,913	3,219,175
Intangible asset		12,674,584	22,140,604
Statutory deposits		60,387,239	60,387,239
Interest in a subsidiary	12	26,000	26,000
Reinsurance contract assets		46,447,075	38,012,835
Trade and other receivables		8,114,710	7,750,063
Due from the holding company		53,667	53,667
Due from fellow subsidiaries		4,406,045	6,628,946
Cash and cash equivalents		70,854,829	47,165,693
Total assets		205,882,062	185,384,222
Liabilities			
Trade and other payables		20,634,972	17,109,874
Due to subsidiary		478,519	496,690
Insurance contract liabilities		92,643,368	78,043,355
Lease liabilities		2,719,716	3,037,925
Provision for reinstatement cost		399,152	408,415
Total liabilities		116,875,727	99,096,259
NET ASSETS		89,006,335	86,287,963

23 Statement of financial position of the Company (continued)

	Note	*2024* HK$	*2023* HK$
Capital and reserves			
Share capital		481,662,500	431,662,500
Share option reserve		43,035,039	37,133,214
Exchange reserve		(1,973,134)	704,868
Accumulated losses		(433,718,070)	(383,212,619)
TOTAL EQUITY		89,006,335	86,287,963

Approved and authorised for issue by the Board of Directors on 30 APR 2025

KWOCK Yin Lun
Director

LEUNG Alexander Te Yuen
Director

24 Statement of changes in equity of the Company

	Share capital HK$ (Note 17)	Share option reserve HK$ (Note 18a)	Exchange reserve HK$ (Note 18b)	Accumulated losses HK$	Total HK$
Balance at 1 January 2023	381,475,000	29,952,730	(6,153)	(306,446,975)	104,974,602
Loss for the year ended 31 December 2023	-	-	-	(76,765,644)	(76,765,644)
Exchange differences on foreign representative office	-	-	711,021	-	711,021
Other comprehensive income for the year	-	-	711,021	-	711,021
Total comprehensive income for the year	-	-	711,021	(76,765,644)	(76,054,623)
Issue of share capital (Note 17)	50,187,500	-	-	-	50,187,500
Equity-settled share-based payment transactions (Note 19)	-	7,180,484	-	-	7,180,484
Total transactions with owners	50,187,500	7,180,484	-	-	57,367,984
Balance at 31 December 2023 and 1 January 2024	431,662,500	37,133,214	704,868	(383,212,619)	86,287,963
Loss for the year ended 31 December 2024	-	-	-	(50,505,451)	(50,505,451)
Exchange differences on foreign representative office	-	-	(2,678,002)	-	(2,678,002)
Other comprehensive income for the year	-	-	(2,678,002)	-	(2,678,002)
Total comprehensive income for the year	-	-	(2,678,002)	(50,505,451)	(53,183,453)
Issue of share capital (Note 17)	50,000,000	-	-	-	50,000,000
Equity-settled share-based payment transactions (Note 19)	-	5,901,825	-	-	5,901,825
Total transactions with owners			-	-	
At 31 December 2024	481,662,500	43,035,039	(1,973,134)	(433,718,070)	89,006,335

25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates - Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures - Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards - *Volume 11*	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.