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*The unaudited financial information relating to the year ended 31 December 2023 and the financial information relating to the year ended 31 December 2022 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:*

*The financial statements for the year ended 31 December 2023 have yet to be reported on by the Group's auditor and will be delivered to the Registrar of Companies in due course.*

*The Group has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.*

*The Group's auditor has reported on the consolidated financial statements for the year ended 31 December 2022. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.*



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## **Yunfeng Financial Group Limited**

雲鋒金融集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 376)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The Board of Directors of Yunfeng Financial Group Limited announces herewith the consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2023 as follows:

## Corporate Information

### Board of Directors

#### Chairman

Mr. Yu Feng (*Non-Executive Director*)

#### Executive Directors

Mr. Fang Lin (*Chief Executive Officer*)  
Mr. Huang Xin

#### Non-Executive Directors

Mr. Michael James O' Connor  
Ms. Hai Olivia Ou

#### Independent Non-Executive Directors

Mr. Qi Daqing  
Mr. Chu Chung Yue, Howard  
Mr. Xiao Feng

#### Audit Committee

Mr. Chu Chung Yue, Howard (*Chairman*)  
Mr. Qi Daqing  
Mr. Xiao Feng

### Remuneration Committee

Mr. Qi Daqing (*Chairman*)  
Mr. Huang Xin  
Mr. Chu Chung Yue, Howard  
Mr. Xiao Feng

### Nomination Committee

Mr. Yu Feng (*Chairman*)  
Mr. Qi Daqing  
Mr. Chu Chung Yue, Howard

### Authorised representatives

Mr. Fang Lin  
Mr. Chan Man Ko

### Company secretary

Mr. Chan Man Ko

### Auditor

KPMG  
Certified Public Accountants  
Public Interest Entity Auditor registered in  
accordance with the Accounting and  
Financial Reporting Council Ordinance

## Corporate Information (continued)

### Bankers

Bank of Communications  
China Construction Bank (Asia)  
Bank of China (Hong Kong)  
China Minsheng Banking Corporation Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### Registered and principal office

Rooms 1803-1806  
18th Floor, YF Life Centre  
38 Gloucester Road, Wanchai  
Hong Kong

### Share registrar

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716,  
17th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

### Website

[www.yff.com](http://www.yff.com)

### Stock code

376

# Management Discussion and Analysis

## Overview

During the Year, the high interest rate environment severely dampened the overall investment climate in Hong Kong's capital market. In view of the challenges and opportunities during the economic recovery, the Group implemented its business plan in an effective manner, while actively seeking suitable business opportunity under the current market conditions to expand source of revenue and enhance the Shareholders' value.

The Group's main sources of revenue include life insurance premium income and other financial businesses including subscription fees and management fees for products launched by the Group, platform fees for distribution of third-parties products, administration fee for employees stock ownership plan management services and brokerage commission income etc. There is no material change in the Group's core business activities compared to that of year 2022.

For the Year, the Group adopted the new accounting standard HKFRS 17 *Insurance Contracts* to present consolidated financial statements in accordance with the related requirements with Prior Period comparatives restated. The adoption of HKFRS 17 is an accounting change with no impact on the underlying economics of our business. With the accounting change for the Year, the Group's insurance revenue amounted to HK\$2,625 million, representing an increase of 7% compared to that of HK\$2,447 million for year 2022. The Group's consolidated profit amounted to HK\$713 million compared to consolidated loss of HK\$664 million (as restated) for the year 2022. The net profit attributable to equity shareholders of the Company amounted to HK\$397 million compared to a net loss attributable to equity shareholders of the Company of HK\$643 million (as restated) for the year 2022. The net profit attributable to equity shareholders of the Company for the Period was mainly due to the fair value loss of the Group's investments having significantly decreased as compared to the same period last year.

## Consolidated Financial Results Review

The financial highlights of the Group were as follows:

### Consolidated financial result analysis

#### *For the year ended 31 December, HK\$ million*

Income	2023	2022 (restated)	Change %
Net operating income	991	850	17
Net profit/(loss) attributable to the owners	397	(643)	NA
Basic earnings/(loss) per share (HK\$) (Note 1)	0.10	(0.17)	NA
Final dividend proposed per share	-	-	NA

#### *At 31 December, HK\$ million*

	2023	2022 (restated)	Change %
Total assets	90,149	81,769	10
Total equity	16,405	16,262	1
Owner's equity	11,003	11,007	-
Owner's equity per share (HK\$) (Note 2)	2.85	2.85	-

Note 1: The denominator is weighted average number of ordinary shares of the Company.

Note 2: The denominator is total issued shares as of 31 December of the respective years.

**Analysis on profit for the year, HK\$ million**

	2023	2022 (restated)	Change %
<b>YF Life segment net operating income</b>	1,036	970	7
<b>Other financial services and corporate segment operating loss</b>	(45)	(120)	(62)
	<u>991</u>	<u>850</u>	17
Net operating income	991	850	17
Adjust for the following profit or loss and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate related to insurance business	(129)	(952)	(86)
- Investment return related to other financial service business	(101)	(305)	(67)
- Staff share award amortisation reversal	2	-	NA
- Finance costs (Note 2)	(183)	(145)	26
- Other items (Note 3)	64	(41)	NA
- Consolidation adjustments (Note 4)	69	(71)	NA
	<u>713</u>	<u>(664)</u>	NA
<b>Profit/(loss) for the year</b>	713	(664)	NA
Less: non-controlling interests	(316)	21	NA
	<u>397</u>	<u>(643)</u>	NA
<b>Net profit/(loss) attributable to the owners</b>	<u>397</u>	<u>(643)</u>	NA

Note 1: For detailed analysis related to YF Life segment net operating income and related adjustment, please refer to key financial data of insurance business segment section.

Note 2: The amount includes bank interest expenses and other finance expenses incurred for the capital required in the Group's strategic investment.

Note 3: Those items including costs of group restructuring and special projects considered by management which should be separately disclose to enable better understanding of net operating income.

Note 4: The consolidation adjustments represent the financial impact arising from the consolidation of YF Life.

Note 5: Comparative figures are restated due to adoption of HKFRS 17.

## Changes in owner's equity

<i>HK\$ million</i>	2023	2022
Balance at 1 January (as previously reported)	14,794	19,891
Adoption of new accounting standard (note)	1,468	(2,777)
	<hr/>	<hr/>
Balance at 1 January (as restated)	16,262	17,114
Share based payment transaction	(2)	-
Profit/(loss) for the year	713	(664)
Other comprehensive income	(568)	(188)
	<hr/>	<hr/>
Balance at 31 December	16,405	16,262
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
- equity shareholders of the Company	11,003	11,007
- non-controlling interests	5,402	5,255
	<hr/>	<hr/>
Total equity	16,405	16,262
	<hr/> <hr/>	<hr/> <hr/>

Note: The Group has adopted HKFRS 17 *Insurance Contracts* from 1 January 2023. Accordingly, there are changes in carrying value of insurance contract liabilities and assets, reinsurance assets, other related assets and liabilities and certain financial assets after redesignation, which lead to the increase of overall net asset value of the Group.

## Insurance Business Review

To facilitate a more thorough and comprehensive review of the insurance business, YF Life, the related financial data excludes the fair value accounting adjustments made on the acquisition. Management considers the full year operation and financial data excluding fair value accounting adjustments made on YF Life acquisition and intragroup transaction elimination with other business segment of the Group is able to provide reader with more relevant information on the business performance of the insurance business segment operating results.

## Overview

During the year 2023, our insurance business remained as authorised insurer licensed to carry on life and annuity, linked long term, permanent health, and retirement scheme management long term insurance businesses in Hong Kong. It also operates in Macao through a branch office and is licensed to sell life insurance products in Macao.

Our insurance business division maintained a diversified product suite which includes following flagship products: (i) the “FLEXI-ULife Prime Saver”, an enhanced universal life insurance plan; (ii) the “MY Flexi Lifetime Annuity”, a plan providing guaranteed lifetime annuity income to act as a safety net during the customer’s retirement; (iii) the “Infinity Saver 3”, a flexible insurance savings plan allowing customers to accumulate capital with potentially higher return; and (iv) the “PrimeHealth” series which are critical illness products covering a wide range of illnesses.

As of 31 December 2023, the tied agency force consisted of approximately 3,050 (2022: 3,204) agents in Hong Kong and Macao. In addition to the tied agency force, we also utilise brokers and agency intermediaries as well as banks and other financial institutions to distribute insurance products. The insurance business division has approximately 518 (2022: 511) employees and more than 536,000 (2022: 529,000) in-force individual policies.

During the year 2023, our insurance division maximised the opportunities arising from the full reopening of the borders between mainland China and Hong Kong and Macao to grow its Mainland Chinese Visitor (MCV) business across all distribution channels. We continue to develop and grow our tied agency to increase penetration in market while also seeking to expand our brokerage and agency intermediary distribution channel to serve sophisticated customers who we believe are more receptive to independent advice. For our bancassurance distribution channel, while reinforcing our existing partnership relationships with banks, we also strive to explore new partnerships with fintech companies to tap into the online customer segment.

Our insurance division continues to innovate and introduce new savings, medical and annuity products targeted at our key customer segments to support the company’s continued business growth and channel development. Furthermore, we dedicate our resources to promoting our brand through various means to increase our brand exposure and awareness both online and offline. Technology empowerment remains one of the Company’s core values. We are introducing new features to our sales and customer platforms to enhance sales efficiency and provide a seamless experience for our customers.

## Non HKFRS supplementary financial information

### Total Premium and Fee Income

Total premium and fee income (“TPI”) measures its business volume by referring to the TPI reported under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) (“IO”). TPI consists of full amount of single premium, first year regular premium and renewal regular premium before reinsurance and includes deposits and contributions for contracts. In preparing the financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), insurance revenue represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows excluding all investment components like deposits and contributions. Therefore, the insurance revenue recognised in the financial statements prepared under HKFRS is less than TPI.

	<i>For the year ended</i>		%
	<i>31 December</i>		
	<i>2023</i>	<i>2022</i>	
	HK\$ million	HK\$ million	
Total premium and fee income reported under IO	<u>11,923</u>	<u>11,446</u>	4

Management considers TPI as one of the important measures of the Group’s operating performance and believes that they are frequently used by analysts, investors and other interested parties in the evaluation of insurance companies. The management also uses TPI as additional measurement tools for the purposes of business decision-making. TPI is not measures of operating performance under HKFRS and should not be considered as a substitute for, or superior to, profit before tax in accordance with HKFRS.

## Business Volume

The tables below set forth the TPI of the Insurance business by (i) geographical region, (ii) distribution channel and (iii) product type based on internal records.

### i) By geographical region

	<i>For the year ended 31 December</i>			
	2023		2022	
	HK\$ million	%	HK\$ million	%
Hong Kong	7,969	67	6,978	61
Macao	3,954	33	4,468	39
	<u>11,923</u>	<u>100</u>	<u>11,446</u>	<u>100</u>

### (ii) By distribution channel

	<i>For the year ended 31 December</i>					
	2023			2022		
	HK\$ million			HK\$ million		
	<i>Hong Kong</i>	<i>Macao</i>	<i>Total</i>	<i>Hong Kong</i>	<i>Macao</i>	<i>Total</i>
Tied agency	4,727	1,252	5,979	4,736	1,256	5,992
Brokers and non-tied agency	2,632	1,405	4,037	1,643	1,114	2,757
Banks and other financial institutions	610	1,297	1,907	599	2,098	2,697
	<u>7,969</u>	<u>3,954</u>	<u>11,923</u>	<u>6,978</u>	<u>4,468</u>	<u>11,446</u>

### (iii) By product type

	<i>For the year ended 31 December</i>					
	2023			2022		
	HK\$ million			HK\$ million		
	<i>Hong Kong</i>	<i>Macao</i>	<i>Total</i>	<i>Hong Kong</i>	<i>Macao</i>	<i>Total</i>
Regular premium						
- First year	1,777	583	2,360	748	1,619	2,367
Regular premium						
- Renewal	5,727	3,319	9,046	5,803	2,740	8,543
Single premium	462	48	510	424	106	530
Fee income	3	4	7	3	3	6
	<u>7,969</u>	<u>3,954</u>	<u>11,923</u>	<u>6,978</u>	<u>4,468</u>	<u>11,446</u>

## Embedded Value and Value of New Business

The Embedded Value method is a commonly adopted alternative method of measuring the value and profitability of a life insurance company. Embedded Value is an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. Value of New Business represents an actuarially determined estimate of the economic value arising from new life insurance business issued in the relevant 12-month period.

We adopted a traditional deterministic discounted cash flow methodology to determine the components of embedded value. This methodology makes implicit allowance for the time value of options and guarantees and other risks associated with the realisation of the expected future distributable earnings through the use of a risk adjusted discount rate and is consistent with the industry practice in the market.

The embedded value of the insurance business as at 31 December 2023 is HK\$20,718 million (31 December 2022: HK\$20,587 million) with breakdown as below.

HK\$ million

	<i>31 December 2023</i>	<i>31 December 2022</i>	<i>Change %</i>
Adjusted Net Worth (“ANW”) (note 1)	10,108	8,942	13
Value of in-force (“VIF”) business after CoC (note 2)	<u>10,610</u>	<u>11,645</u>	(9)
Embedded value	<u><u>20,718</u></u>	<u><u>20,587</u></u>	1

Note 1: The ANW represents the net asset value on Hong Kong statutory basis, with marked-to-market adjustment to certain assets. The ANW change is mainly due to the decrease in liabilities as a result of rising market interest rate.

Note 2: The VIF is the present value of future estimated after-tax statutory profits from in-force business, discounted at the risk discount rate. The VIF drop is mainly due to the decrease in liabilities mentioned in Note 1, which implies less reserve release in the future, and updates of some operating assumptions.

The new business value of the insurance business for the year ended 31 December 2023 is HK\$1,009 million compared to that of HK\$758 million as of the same period last year.

For further detailed discussion of embedded value and new business value of insurance business, please refer to the Embedded Value section.

## Key Financial Data of Insurance Business Segment

The key financial data of insurance segment is presented under HKFRS on a full year basis before any fair value adjustment arising from the acquisition accounting policy and intra-group transaction eliminations except for those where other basis and consideration are stated:

	2023 HK\$ million	2022 HK\$ million (restated)	Change %
Insurance revenue (note a)	2,627	2,448	7
Insurance service expenses (note b)	(2,054)	(2,003)	3
Net expenses from reinsurance contracts	<u>(26)</u>	<u>(5)</u>	4 times
Insurance service result (note c)	547	440	24
Investment return	3,133	36	86 times
Net finance expenses from insurance contracts (note d)	(2,294)	(200)	10 times
Net finance income from reinsurance contracts (note d)	85	126	(33)
Movement in investment contract liability	<u>(208)</u>	<u>(221)</u>	(6)
Net financial result	716	(259)	NA
Revenue from investment management services and other income	89	87	2
Other operating expenses (note e)	<u>(274)</u>	<u>(217)</u>	26
Profit before taxation	1,078	51	20 times
Taxation	<u>(105)</u>	<u>(48)</u>	1 time
Profit after taxation	<u><u>973</u></u>	<u><u>3</u></u>	323 times

Note a: The amount reflects the consideration which the insurer expects to be entitled for the service provided on an earned basis.

Note b: The amount reflects service expenses arising from insurance contracts issued by the Group including incurred claims and other expenses.

Note c: The balance represents the net result of insurance revenue, insurance service expenses and net expense/income from reinsurance contract, which comprised of contractual service margin release and fulfilment cashflow variance as explained in more details under insurance contract liabilities and reinsurance contract assets section.

Note d: The amount reflects change in carrying amount of insurance and reinsurance contracts arising from effect of change in discount rates and financial risks.

Note e: The amount represents operating expenses for supporting MPF business, back office supporting function, investment contract operation etc.

## Net operating income

For management decision making and internal performance management purpose, the Group refers to the net operating income (“NOI”) representing profit generate from core business activities for the Year increase by 7% to HK\$1,036 million.

	2023 HK\$ million	2022 HK\$ million (restated)	Change %
Insurance service result (Note 1)	471	439	7
Investment result (Note 2)	839	714	18
Others (Note 3)	<u>(274)</u>	<u>(183)</u>	50
<b>Net operating income</b>	<b>1,036</b>	<b>970</b>	<b>7</b>
Adjust for the following profit or loss and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate (Note 4)	(128)	(952)	(87)
- Other transactions (Note 5)	<u>65</u>	<u>(15)</u>	NA
<b>Profit for the year</b>	<b><u>973</u></b>	<b><u>3</u></b>	<b>323 times</b>

Note 1: The balance represents the difference between insurance revenue and insurance service expenses for provision of services net of the reinsurance contract results excluding exchange adjustment. The key driver for insurance service result is the net contractual service margin (“CSM”) release.

	2023 HK\$ million	2022 HK\$ million	Change %
Net CSM release	622	613	1
Impact of variances and risk adjustment net of reinsurance result	<u>(151)</u>	<u>(174)</u>	(13)
Insurance service result	<b><u>471</u></b>	<b><u>439</u></b>	<b>7</b>

Note 2 The balance represents net financial result of investment return, net finance income (expenses) from insurance and reinsurance contracts and movement of investment contract liability excluding exchange adjustment. The increase of balance is mainly contributed by the increase of investment return which is consistent with the improvement in market condition and asset prices change compared to the prior year.

## Net operating income (continued)

Note 3 The balance represents net result of revenue from investment management services and other income and other operating expenses. The increase in balance is mainly contributed by increase in expenses in corporate marketing activities and tax.

Note 4 The balance comprise of below items which are considered not relevant to our core business and the related decision making and internal management purpose.

Short term fluctuation represents difference between current year return and long term supportable expected return of all equities and funds excluding mutual funds investment, impairment, unrealised gain or loss and profit or loss from disposal of investment, exchange fluctuation on both asset and liability and discount rate impact on liability which is affected by short term economic environment without long term economic impact on the core business.

Note 5 Other transactions represent the impact which management considers not related to core business activities and therefore excluded from NOI for better understanding. e.g. the implementation and maintenance cost of HKFRS 17, non-recurring other income, etc.

## Assets and Liabilities

The following table sets out the key financial information with respect to the assets and liabilities employed by the insurance division before any fair value adjustment arising from the acquisition accounting policy and intra-group eliminations.

	<i>As at 31 December 2023</i> HK\$ million	<i>As at 31 December 2022</i> HK\$ million (restated)
Investments	73,372	65,741
Cash and deposits	4,311	3,381
Reinsurance contract assets	6,518	6,432
Other assets	2,192	2,045
<b>Total assets</b>	<b>86,393</b>	<b>77,599</b>
Insurance contract liabilities	63,577	55,054
Investment contract liabilities	5,122	5,205
Other liabilities	1,350	1,467
<b>Total liabilities</b>	<b>70,049</b>	<b>61,726</b>
<b>Net assets</b>	<b>16,344</b>	<b>15,873</b>

Certain comparative figure is related to be consistent with current year presentation.

## Assets and Liabilities (continued)

As at 31 December 2023 and 31 December 2022, the asset allocation of the investment portfolio is restated due to the first time adoption of the new accounting standard HKFRS 9 *Financial Instruments*. Debt securities, mortgage loans, equity securities and unit trusts and investment policyholder plans related securities are approximately 76%, 9%, 4% and 11% of the total investments respectively. As at 31 December 2023, 97.9% (2022: 96.8%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. As at 31 December 2023, 88.0% (2022: 89.4%) of the mortgage loans are investment grade rated (i.e. BBB- or above) as assessed by internal rating analysis with the support from external investment manager using similar credit rating methodology from reputable credit rating agencies.

As at 31 December 2023, the total assets under management (“AUM”) of insurance business including those managed through non-consolidated entities like MPF schemes amounted to HK\$84,384 million (31 December 2022: HK\$76,185 million).

## Investment Assets

The table below sets forth the asset allocation of the investment portfolio of the insurance division which the Group uses to monitor the performance of the investment portfolio. The debt securities and mortgage loans were reported at cost less accumulated amortisation and accumulated impairment before expected credit loss while equity securities and unit trusts were reported at fair value.

	<i>As at 31 December</i>	
	2023 HK\$ million	2022 HK\$ million
<b>General investment</b>		
Debt securities	61,172	55,134
Mortgage loans	5,035	5,790
Equity securities	2,436	2,604
Cash for investment	475	728
	69,118	64,256
<b>Direct participating contracts</b>		
Debt securities	1,317	420
Equity securities	2,060	1,944
Cash for investment	1,840	517
	5,217	2,881
<b>Unit-linked</b>		
Equity securities	5,748	5,685
	80,083	72,822

### Investment assets (continued)

The table below sets forth the total investment income based on internal records:

	<i>For the year ended 31 December</i>	
	<i>2023</i>	<i>2022</i>
	HK\$ million	HK\$ million
Interest income and others	2,682	2,354
Dividend income	132	233
	2,814	2,587

The investment income excludes income arising from unit trusts, investment-linked products and direct participating contracts.

### Insurance contract liabilities and reinsurance contract assets

The liability (or asset) recognised for a group of insurance and reinsurance contracts is measured as the sum of the fulfilment cashflow, cashflows arise as the Group fulfils the contracts and contractual service margin (“CSM”) presenting the unearned profit that the Group will recognise as it provides insurance coverage in the future. The table below sets forth the related information.

	<i>As at</i>		<i>As at</i>	
	<i>31 December</i>	%	<i>31 December</i>	%
	2023		2022	
	HK\$ million		HK\$ million	
Fulfilment cashflow	49,835	87	41,318	85
Net CSM	7,224	13	7,304	15
	57,059		48,622	
Net balance		100		100
Comprised of:				
Insurance contract liabilities	63,577		55,054	
Reinsurance contract assets	(6,518)		(6,432)	
	57,059		48,622	

### Insurance contract liabilities and reinsurance contract assets (continued)

The table below sets forth the net CSM roll forward which provides information on the economic impact of changes during the year to understand the performance of our business in terms of future profitability and contribution to current year financial performance.

	<i>Notes</i>	2023 HK\$ million	2022 HK\$ million
CSM Value as at 1 January		7,304	7,619
New business CSM	a	1,031	1,098
Expected unwind	b	164	91
Economic variances	c	23	(504)
Experience variances	d	(679)	(391)
Exchange rate impact		3	4
CSM release	e	(622)	(613)
CSM Value as at 31 December		7,224	7,304

#### Note

- a) It represents the effect of new contracts brought to CSM for the year.
- b) It represents the effect of interest accreted on CSM which is measured at the discount rate at initial recognition for insurance contract portfolio applying the general measurement model.
- c) It represents the impact of economic variance and assumption change. Economic variance and assumption change mainly related to financial related adjustment including underlying market price change. The negative variance in 2022 is mainly caused by the impact of drop in underlying investment value of the products using variable fee approach. The variance is much smaller in 2023 as the market performance is less volatile.
- d) It represents the effect of experience adjustments and assumption update from 1) arising from premiums received in the period, including any related cash flows such as insurance acquisition cash flows that relate to future service, 2) changes in estimates of the present value of future cashflow of liabilities of remaining coverage, 3) difference between any investment component expected to become payable and the actual amount becomes payable in the period, 4) change of risk adjustment for non-financial risk that related to the future service. The change in 2022 is mainly due to adjustment on the combined impact of premium, claim and lapse experience. For 2023, it is mainly related to updates of some operating assumptions.
- e) The release of net CSM is based on coverage units, a function of quantity of benefit provided and expected coverage period, provided for the period of the group of contracts. The CSM release rate throughout 2023 remains stable compared with 2022.

## Key Operational Data of the Insurance Division

The table below sets forth certain other key operational data of the insurance division.

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2022</i>
Market position/share (by regular premium income)	13th/2.0%	13th/1.8%
Number of employees		
- Hong Kong	478	472
- Macao	40	39
Number of tied agents		
- Hong Kong	2,172	2,250
- Macao	878	954
Number of brokers and non-tied agents	504	509
Number of bancassurance partners	6	5
MDRT qualifiers (Note 1)	262	275
Expenses ratio (Note 2)	8.7%	9.8%

Notes:

1. Million Dollar Round Table (“MDRT”) is a global professional association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
2. Expenses ratio is operating expenses expressed as a percentage of total weighted premium income. Last year comparative is updated based on current year basis.

## Financial Strength and Solvency Margin

The table below sets forth a summary of the total available capital and solvency ratio, the ratio expressed as a percentage, of the surplus to the required solvency margin of the legal entity carried out the insurance business related activities, as determined at the relevant time in accordance with the IO and its subsidiary legislation and based on standards required by the IO and methodology consistently applied by our insurance division.

	<i>As at 31 December</i>	
	<i>2023</i>	<i>2022</i>
	HK\$ million	HK\$ million
Total available capital	8,447	6,603
Regulatory minimum capital	2,896	2,676
Solvency Ratio	292%	247%

The solvency ratio was 292% on 31 December 2023, up by 45% from 247% on 31 December 2022. The increase was mainly driven by interest rate increase and credit spread narrowing.

## Other Businesses Review

During the Year, securities business was exposed to continuous downward pressure of the market condition and interest rate hikes. The employee stock ownership plan (the "ESOP") administration service division have enhanced the service infrastructure to improve the functionality of the existing system and optimise operation efficiency. The financial technology business continued to promote the Company's strategic adjustments, accelerated system optimisation and reduced overall costs. The securities business will undergo compression through divestment and restructuring initiatives, aligning with the Group's strategy for the insurance business to further enhance financial performance.

## Prospects

Looking ahead, the outlook for the global macroeconomic environment is uncertain, and we will continue to strictly adhere to prudent insurance and investment strategies. We believe that the market still has a huge demand for high-quality insurance products, and we will strive to improve the level of products and services to create long-term value growth for customers and the Group.

## Liquidity and Financial Resources

As at 31 December 2023, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK\$5,233 million (2022: HK\$4,173 million). As at 31 December 2023, the Group has HK\$1,399 million (2022: HK\$1,393 million) bank borrowing outstanding and HK\$1,641 million (2022: HK\$1,641 million) shareholder's loan outstanding. The Group's gearing ratio as at 31 December 2023 is 15.61% (2022: 16.96%), which was measured as total debt excluding those operation related liabilities to total debt excluding those operation related liabilities plus equity.

## Capital Structure

Details of movements in share capital of the Company during the year are set out in Note 36(e) to the financial statements.

## Risk Factors

In 2023, the Group carried out timely and complete identification and evaluation to manage the key risks. The identified risks are being monitored according to the risk appetite and the related regulation by the board of directors and also the related committees assisting the board.

### (i) Strategic Risk

Management recognised the importance of incorporating insurance business with the financial service ecosystem of the Group. On the other hand, management is keen on enhancing the business process and integration with financial technology to create values to all customers of the Group. The overall enhancement and integration process creates uncertainties and increase degree of difficulties on related risk management requirement. Management proactively devotes sufficient resources to support and enhance the ongoing process.

## Risk Factors (continued)

### (ii) Insurance Risk

Management considers insurance risk mainly comprised:

Product design risk - potential defects in the development of a particular insurance product. To mitigate the risk, each of the new products is required to go through pre-launch reviews by various departments, including product development, actuarial, legal and underwriting to ensure the risk being aligned with the Group's risk appetite.

Lapse risk - the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced as well as financial loss due to early termination of policies or contracts where the acquisition cost incurred may not be recoverable from future revenue. Management carries out regular studies of persistency experience which will be assimilated into new and in-force management and build in measures including surrender charges to manage the financial impact upon early termination by policyholders.

Pricing or underwriting risk - the possibility of product related income being inadequate to support future obligations arising from a product. Further details related to this risk and the related mitigation and monitoring measures is set out in Note 4 "Insurance and financial risk management" to the consolidated financial statements.

Claim risk - the possibility that the frequency or severity of claims arising from insurance products exceed the levels assumed when the product was priced. Further details related to this risk and the related mitigation and monitoring measures are set out in Note 4 "Insurance and financial risk management" to the consolidated financial statements.

### (iii) Market Risk, Credit Risk, Foreign Exchange Risk and Liquidity Risk

The details of the market risk, credit risk, foreign exchange risk and liquidity risk identified and their related mitigation and monitoring measures are detailed in Note 4 "Insurance and financial risk management" to the consolidated financial statements.

### (iv) Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events. The Group manages the risk primarily through risk and control self-assessment and reviews losses and fraud issues and provides guidance, training and assistance to relevant personnel for ongoing risk management purpose.

### Risk and management control

Detailed risk and management control is set out in corporate governance report section in this announcement.

## **Material Acquisitions and Disposals of Subsidiaries and Associates**

The Group did not have any material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2023.

## **Charges on Assets**

At the year ended 31 December 2023, the Group did not have any charges on assets, other than security deposits of HK\$26,655,000 (2022: HK\$23,837,000) for banking facilities and HK\$18,717,825,000 (2022: HK\$16,508,677,000) of investment together with HK\$907,291,000 (2022: HK\$856,494,000) of fixed bank deposit in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

## **Commitments**

Details of commitments are set out in Note 39 to the financial statements.

## **Segment Information**

Details of segments are set out in Note 16 to the financial statements.

## **Contingent Liabilities**

Details of contingent liabilities are set out in Note 46.

## **Staffing and Remunerations**

As at 31 December 2023, the Group employed 611 (2022: 603) full time employees, 530 (2022: 522) of which were located in Hong Kong, 40 (2022: 39) in Macao and 41 (2022: 42) in the People's Republic of China. The remuneration of employees includes salary retention package and discretionary bonus. The Group also adopted share option and share award schemes to provide an incentive to the employees.

The remuneration policy and package, including the share option and share awards, of the Group's employees are maintained at market level and reviewed annually by the management.

## Use of Net Proceeds from Subscription Shares

As disclosed in the circular of the Company dated 21 September 2020, the Company entered into subscription agreements on 7 September 2020 with (1) Jade Passion Limited (“Jade Passion”) in relation to the subscription of 484,665,279 ordinary shares of the Company at the subscription price of HK\$3.17 and (2) MassMutual International LLC in relation to the subscription of 160,000,000 ordinary shares of the Company at the Subscription Price of HK\$3.17 (together refer to “Issue”). The total gross proceeds for the Issue was HK\$2,043,588,934 and the net proceeds was HK\$2,040,588,934.

As set out in the announcement of the Company dated 12 November 2021, there was subsequent update in use of proceeds which the Company intends to temporarily deploy in full or any part of the Unutilised Proceeds in Strategic Investment to investments in medium term investments with investment horizon of around 1 to 3 years including (i) debt instruments such as bonds, debenture, notes and convertible notes, (ii) investments in private equity and (iii) exchange traded funds and hedge funds, and other fund investments types which terms are compatible with Company’s investment strategy.

The table below sets out the actual application of net proceeds of the Issue up to 31 December 2023:

	<i>Use of proceeds HK\$ million</i>	<i>Unutilised proceeds up to 31 December 2022 HK\$ million</i>	<i>Actual usage from 1 Jan 2023 to 31 December 2023 HK\$ million</i>	<i>Unutilised proceeds up to 31 December 2023 HK\$ million</i>	<i>Expected timeline for utilising the remaining net proceeds</i>
Strategic investment (note 1)	1,224.6	1,224.6	-	1,224.6	Expected to be fully utilised on or before 31 December 2024
Asset management business (note 2)	306.1	-	-	-	
Securities brokerage business (note 3)	306.2	-	-	-	
Working Capital (note 4)	204.1	-	-	-	
<b>Total</b>	<b>2,041.0</b>	<b>1,224.6</b>	<b>-</b>	<b>1,224.6</b>	

## Use of Net Proceeds from Subscription Shares (continued)

Notes:

1. mainly utilised on potential strategic investment for business diversification and enhancement.
2. mainly utilised on asset management platform for launching the financial products from time to time, in order to achieve positive synergies between the Company's capital management and growth of its asset management business, and facilitate external fundraising for such products.
3. mainly utilised on the securities brokerage business (i) when more cash is required to be injected into the business to increase its liquid capital resources in accordance with the increased trading volumes; and (ii) the securities financing business when more cash is required to be injected into the business to support higher demand for IPO loans or margin financing transactions.
4. mainly utilised on general working capital which covers expenses incurred in the ordinary course of business of the Group, including but not limited to manpower, rental expenses, data license and network expenses and office equipment expenses.

Remark: The expected timeline of utilising the remaining proceeds is subject to significant uncertainties including but not limited to the negotiation with counterparties, market conditions and demand, global economic environment, investment sentiment and regulatory approval (if applicable) for the above purposes. The Company adopted a treasury management model that may involve (but shall not be limited to) holding fixed income instruments and high-quality financial investments in order to maximise the Shareholders' interest as a whole.

## Event after the Reporting Period

Details of event after the reporting period are set out in Note 47 to the financial statements.

## Embedded Value

The Group has appointed PricewaterhouseCoopers Limited (“PwC”), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 31 December 2023 are consistent with standards generally adopted by insurance companies in Hong Kong.

### 1. Background

The Group mainly consists of two major segments including life insurance business and other financial services in the areas of investment holding, asset management, pensions, other businesses and corporate services. Life insurance business is operated by YF Life, a 69.8%-owned subsidiary, which is the most significant part of the Group in terms of total asset and profitability. To provide additional information of the insurance business of the Group, the Group disclosed the Embedded Value (“EV”) of the segment.

### 2. Definition

EV is a measure of value of shareholders’ interests in the earnings distributable (“distributable earnings”) from assets allocated to the in-force business after sufficient allowance for the aggregate risks in the business.

The EV equals to:

- Adjusted Net Worth (“ANW”), plus
- Value of the in-force business before cost of capital (“VIF before CoC”), minus
- Cost of Capital (“CoC”)

The ANW represents the net asset value on Hong Kong statutory basis, with marked-to-market adjustment to certain assets of our insurance business segment.

The VIF before CoC is the present value of future estimated after-tax statutory profits from in-force business, discounted at the risk discount rate as at 31 December 2023. Cost of Capital is the difference between the amount of required capital as at 31 December 2023 and the present value of future releases, allowing for future after-tax investment earnings on the capital.

Similarly, the new business value is calculated as the difference of new business value before CoC and CoC arising from new business sales in the period. The new business value before CoC is the present value, discounted at issue date, of future estimated after-tax statutory profits emerging from new business sales in the past 12 months, i.e. 1 January 2023 to 31 December 2023.

### 3. Basis of preparation

We adopted a traditional deterministic discounted cash flow methodology to determine the components of Embedded Value and the New Business Value. This methodology makes implicit allowance for the time value of options and guarantees and other risks associated with the realisation of the expected future distributable earnings through the use of a risk adjusted discount rate and is consistent with the industry practice in the market.

In determining the value of in-force business, our insurance segment's in-force policy databases as at 31 December 2023 were used. New business volumes and mix were based on the actual business written by our insurance segment in the 12-month period from 1 January 2023 to 31 December 2023.

It should be noted that, in assessing the total value of a life insurance company, the value attributed to future new business can be determined as the product of the one-year new business value and a multiple which reflects an allowance for future new business sales and the risks associated with it at the assumed profit margin.

The Group has appointed PricewaterhouseCoopers Limited ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 31 December 2023 are consistent with standards generally adopted by insurance companies in Hong Kong.

### 4. Cautionary statement

The calculations of Embedded Value and the New Business Value of insurance business segment are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the insurance business segment is held through a 69.8%-owned subsidiary of the Group. With the Embedded Value and the New Business Value of the insurance business being presented on a 100% basis below, the related value assessment should be considered accordingly.

### 5. Embedded value of YF Life

#### 5.1 Embedded value

	31 December 2023 HK\$ million	31 December 2022 HK\$ million
Adjusted Net Worth	10,108	8,942
Value of in-force business before cost of capital	13,187	13,960
Cost of capital	(2,577)	(2,315)
	<u>20,718</u>	<u>20,587</u>
Attributable to:		
Owners of the Company	14,461	14,370
Non-controlling interests	6,257	6,217
	<u>20,718</u>	<u>20,587</u>

## 5.2 New Business value

	<i>For the past 12 months as of 31 December 2023 HK\$ million</i>	<i>For the past 12 months as of 31 December 2022 HK\$ million</i>
New Business Value before cost of capital	1,232	893
Cost of capital	<u>(223)</u>	<u>(135)</u>
New Business Value after cost of capital	<u>1,009</u>	<u>758</u>

The new business value for the past 12 months as of 31 December 2023 is HK\$1,009 million, an increase of HK\$251 million or 33%, from HK\$758 million over the same period last year. The growth is primarily driven by a significant increase in annual premium equivalent (“APE”) (excluding short-term endowment products) amounted to HK\$2,867 million, which has risen by 74% over the same period last year.

## 5.3 Movement analysis of embedded value

	<i>Notes</i>	<i>2023 HK\$ million</i>	<i>2022 HK\$ million</i>
Embedded Value as at 1 January		20,587	18,061
New business value	a	1,009	758
Expected return on Embedded value	b	1,684	1,565
Assumption and model changes	c	(2,109)	2,267
Investment return variance	d	(33)	(1,635)
Other experience variance and exchange rate impact	e	<u>(420)</u>	<u>(429)</u>
Embedded Value as at 31 December		<u>20,718</u>	<u>20,587</u>

Note:

- a) New business contribution from sales of new business in the past one-year
- b) Return on value of in-force business plus expected interest on Adjusted Net Worth
- c) Impact of assumption and model changes on the future distributable earnings of the in-force business
- d) Differences between the actual investment returns and expected investment returns
- e) Differences between the actual experience and expected experience for mortality, morbidity, lapses, and expenses

## 5.4 Key assumptions

Our policies state that it adopts a best estimate approach in setting the assumptions which are used in the calculation of its Embedded Value and New Business Value. The assumptions were based on the actual experience of YF Life and certain industry experience.

The basis and assumptions used in the calculations are summarised below. These assumptions have been made on a “going concern” basis.

### **Risk discount rate**

The risk discount rate represents the long-term post-tax cost of capital of the hypothetical investor for whom the valuation is made, together with an allowance for risk, taking into account factors such as the political and economic environment in Hong Kong.

We use risk discount rate of 8.75% for 31 December 2023 and 31 December 2022 as the base scenario assumption for both in-force and new business.

### **Investment returns**

Future investment returns have been calculated as the weighted average of the investment returns on existing assets and new assets.

The investment returns on existing assets and new assets have been determined by book yield, the forward rate yields available on US government bonds, credit spreads that reflects the risk of default and equity return of underlying assets respectively.

### **Credit rate**

The crediting rates for universal life business have been set to reflect regulatory and contractual requirements, policyholders’ reasonable expectations and earn rate assumptions. The crediting rates were worked out as earn rate less crediting rate spread.

### **Mortality**

The mortality assumption is based on both emerging experience and industry experience, reflecting its expectation of how experience will emerge.

The experience mortality rates have been set as a percentage of HKA93 mortality table with an adjustment of increased mortality at older ages (“Adj. HKA93”). There were also adjustment factor for non-smoker and smoker.

### **Morbidity**

Morbidity rate assumptions have been set as a percentage of the reinsurance rates due to the lack of credible claims experience.

### **Lapse**

The lapse assumptions were based on YF Life's experience and adjusted to reflect the results of its recent experience. The assumptions have been set with reference to pricing assumptions where credible experience data is not available.

The lapse assumptions vary by products and policy duration.

### **Operating expenses**

Operating expenses have been projected based on unit expense assumption. Projected excess or saving of expense compared with unit expense assumption has not been included in VIF or new business value. The historical excess or saving of actual expense compared with unit expense assumption has been included in ANW component of EV.

### **Inflation rate**

Future inflation rate was assumed to be 2% per annum for 2023. This assumption is based on expectations of long-term consumer price and salary inflation.

### **Taxation**

A tax rate of 0.825% of net premium income for Hong Kong business and 12% of pre-tax statutory profit for Macau business has been assumed for 2023.

### **Required capital**

The embedded value projections assume that it maintains required capital at 150% of minimum solvency margin.

### **Statutory valuation**

The distributable earnings are based on statutory reserve in accordance with the Hong Kong reserving regulations.

### **Reinsurance**

Reinsurance assumptions have been developed based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

## 5.5 Sensitivity testing

We performed sensitivity analysis on the value of in-force business and the new business value as at 31 December 2023, by independently varying certain assumptions regarding future experience. Specifically, the following changes in assumptions have been considered.

- New money yields increased by 100 basis points per annum
- New money yields decreased by 100 basis points per annum
- Risk discount rate increased by 50 basis points
- Risk discount rate decreased by 50 basis points
- 10% increase in lapse rate and skip premium rates (i.e. 110% of the central assumptions)
- 10% decrease in lapse rate and skip premium rates (i.e. 90% of the central assumptions)
- 10% increase in mortality and morbidity rates and loss ratios (i.e. 110% of the central assumptions)
- 10% decrease in mortality and morbidity rates and loss ratios (i.e. 90% of the central assumptions)
- 10% increase in acquisition and maintenance expenses (i.e. 110% of the central assumptions)
- 10% decrease in acquisition and maintenance expenses (i.e. 90% of the central assumptions)

For the year 2023 Assumptions	<i>Value of in-force business after cost of capital HK\$ million</i>	<i>New business value after cost of capital HK\$ million</i>
Base scenario	10,610	1,009
New money yields increased by 100 basis points per annum	11,582	1,105
New money yields decreased by 100 basis points per annum	9,239	910
Risk discount rate increased by 50 basis points	9,761	936
Risk discount rate decreased by 50 basis points	11,550	1,090
10% increase in lapse rate and skip premium rates	10,439	964
10% decrease in lapse rate and skip premium rates	10,806	1,058
10% increase in mortality and morbidity rates and loss ratios	9,550	959
10% decrease in mortality and morbidity rates and loss ratios	11,669	1,057
10% increase in acquisition and maintenance expenses	10,247	955
10% decrease in acquisition and maintenance expenses	10,972	1,064

## Biographical Details of Directors and Senior Management

### Chairman

**Mr. Yu Feng**, aged 60, was appointed as the Chairman and a non-executive Director and the chairman of the Nomination Committee in November 2015. Mr. Yu is the co-founder and the chairman of Yunfeng Capital, a private equity firm founded by Mr. Yu together with other entrepreneurs in 2010.

Mr. Yu is a director of YFHL, Key Imagination and Jade Passion. YFHL, Key Imagination and Jade Passion are substantial shareholders of the Company.

Mr. Yu obtained an EMBA degree from China Europe International Business School, the PRC in March 2001 and a master of arts degree in philosophy from Fudan University, the PRC in July 1991.

### Executive Directors

**Mr. Fang Lin**, aged 53, was appointed as an executive Director and the chief executive officer of the Company in July 2023. Mr. Fang had served China Pacific Insurance (Group) Co., Ltd. and its affiliates and branches for over 20 years in various capacities including secretary of the board of directors, assistant to president, executive member of management committee, marketing director and deputy general manager. Thereafter, he had served as the chairman, chairman of the executive committee and chief executive officer of FTLife Insurance Company Limited. Prior to joining the Group, Mr. Fang was the deputy general manager of Realord Group Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 1196).

Mr. Fang holds a Bachelor of Mechanical Engineering degree from South China University of Technology in the PRC, a Master of Business Administration degree from Antai College of Economics and Management of Shanghai Jiao Tong University in the PRC, and an Executive Master of Business Administration degree from Cheung Kong Graduate School of Business in the PRC.

**Mr. Huang Xin**, aged 48, was appointed as an executive Director and a member of the Remuneration Committee in November 2015, and was appointed as the interim chief executive officer of the Company in September 2022 and ceased to be the interim chief executive officer in July 2023. Mr. Huang is a partner and a member of the investment committee of Yunfeng Capital. Mr. Huang served as the vice president of Shanghai Kaituo Capital Limited from 2006 to 2010, and was the vice president of finance at Target Media Holdings Limited from 2005 to 2006. Mr. Huang worked at General Electric Company from 1997 to 2005.

Mr. Huang currently acts as a director of Jade Passion, a substantial shareholder of the Company. He served as a director of YTO Express Group Co., Ltd (stock code: 600233) which is listed on the Shanghai Stock Exchange until 13 October 2022 and a director of Sanxiang Impression Co., Ltd (stock code: 000863) which is listed on the Shenzhen Stock Exchange until 29 June 2021.

## Executive Directors (continued)

Mr. Huang obtained a master of business administration degree from China Europe International Business School, the PRC in October 2011 and a bachelor's degree in accounting from Fudan University, the PRC in July 1997.

## Non-Executive Directors

**Mr. Michael James O'Connor**, aged 55, was appointed as a non-executive Director in March 2020. Mr. O'Connor is the General Counsel of MMLIC, leading its legal, compliance, government relations, internal audit and corporate governance functions. MMLIC is the sole member of MMI, a substantial shareholder of the Company. Mr. O'Connor was appointed as a manager of MMI, a substantial shareholder of the Company on August 2020. He is a member of MMLIC's Executive Leadership team. Mr. O'Connor initially joined MMLIC's Law Division in 2005 and from 2008 to 2011, he led the company's corporate law and government relations teams. From 2011 to 2017, Mr. O'Connor served in a number of business leadership positions at MMLIC, first as the chief of staff to MMLIC's CEO Roger Crandall and later as the head of corporate development and mergers and acquisitions and then as the head of MMLIC's international insurance operations.

Prior to joining MMLIC, Mr. O'Connor served as the U.S. General Counsel of Irving Oil Corporation, an independent global petroleum refiner and marketer from 2002 to 2005. From 1995 until 2002, Mr. O'Connor practiced corporate law at Goodwin Procter LLP in Boston, where he was a member of the M&A/Corporate Governance and Securities & Corporate Finance practice groups. Mr. O'Connor received a B.A. in Legal Studies from the University of Massachusetts at Amherst. He earned his J.D. from the Boston University School of Law, where he was a G. Joseph Tauro Distinguished Scholar and an Editor of the Boston University Law Review, and his M.B.A., majoring in Finance, from the Wharton School of Business at the University of Pennsylvania.

**Ms. Hai Olivia Ou**, aged 44, was appointed as a non-executive Director in November 2015, and was re-designated as an executive Director and was appointed as the interim chief executive officer in February 2020. She has ceased to be the interim chief executive officer in October 2020 and was re-designated as a non-executive Director in August 2022. Ms. Hai had served as a managing director of Yunfeng Capital and specialises in investments and management related to the financial services industry, especially on investments in Internet Finance and strategic management in insurance company. Prior to joining Yunfeng Capital, Ms. Hai was an actuarial partner at Deloitte China from 2012 and was engaged in the provision of consulting services to overseas and domestic insurance companies. Ms. Hai has also worked at HSBC Insurance (Asia) Limited in Hong Kong from 2010 to 2012 and PricewaterhouseCoopers LLP in the United Kingdom from 2002 to 2010.

Ms. Hai is a qualified fellow member of the Institute and Faculty of Actuaries in the United Kingdom and a fellow member of the China Association of Actuaries.

## Independent Non-Executive Directors

**Mr. Qi Daqing**, aged 59, was appointed as an independent non-executive Director, and a member of the Audit Committee, Nomination Committee and Remuneration Committee in February 2016. In March 2019, Mr. Qi was appointed as the chairman of the Remuneration Committee. Mr. Qi is currently a professor of Cheung Kong Graduate School of Business where he previously served as a director and an associate dean of the executive master of business administration department. Mr. Qi's research interests primarily focus on financial accounting, financial reporting and their impact on corporate business strategy. Mr. Qi has published many articles in accounting and finance journals. Mr. Qi worked at The Chinese University of Hong Kong and the Feature Syndicate of the Department of Home News for Overseas, Xinhua News Agency prior to joining Cheung Kong Graduate School of Business in 2002.

Currently Mr. Qi serves as an independent director of Sohu.com Limited (NASDAQ: SOHU) and Hello Group Inc. (NASDAQ: MOMO), all of which are listed on NASDAQ; and an independent non-executive director of Haidilao International Holdings Limited (stock code: 06862), Bison Finance Group Limited (stock code: 00888) and SinoMedia Holding Limited (stock code: 00623), all of which are listed on the Stock Exchange. Mr. Qi served as an independent non-executive director of Honghua Group Limited (stock code: 00196) from 18 January 2008 to 1 January 2018, a company listed on the Stock Exchange, an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (stock code: 03699) from 29 January 2016 to 20 September 2016, a company delisted from the Stock Exchange on 20 September 2016, and an independent non-executive director of Jutal Offshore Oil Services Limited (stock code: 03303) from 31 July 2015 to 27 April 2022. Mr. Qi had also been an independent director of Focus Media Holding Limited (NASDAQ: FMCN) and AutoNavi Holdings Ltd. (NASDAQ: AMAP), all of which were listed on NASDAQ, an independent director of Bona Film Group Limited and iKang Healthcare Group, Inc. which were listed on NASDAQ and ceased to be public companies, and an independent director of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000002; and listed on the Stock Exchange, stock code: 02202).

Mr. Qi graduated with a doctoral degree in accounting from The Eli Broad Graduate School of Management of Michigan State University in the U.S.A. in 1996. He also obtained a master's degree in management from University of Hawaii in the U.S.A in 1992 and dual bachelor's degrees (in biophysics and international news) from Fudan University in 1985 and 1987 respectively.

**Mr. Chu Chung Yue, Howard**, aged 75, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee in August 2011. Mr. Chu was the vice president, Asia and the chief representative, China of Teck Resources Limited. Mr. Chu was responsible for the development of Asian strategies for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1978 to 2007 and was the vice president, Asia and the chief representative, China from 2007 to April 2011.

Mr. Chu serves as an independent non-executive director of Grandshores Technology Group Limited (stock code: 01647), a company listed on the Stock Exchange.

## Independent Non-Executive Directors (continued)

Mr. Chu holds a bachelor's degree in commerce from University of British Columbia and was a member of the Chartered Professional Accountants of Canada.

**Mr. Xiao Feng**, aged 62, was appointed as an independent non-executive Director, and a member of the Audit Committee and Remuneration Committee in March 2019. Mr. Xiao is currently the vice chairman and an executive director of China Wanxiang Holding Co., Ltd. (中國萬向控股有限公司). Since 2018, Mr. Xiao also serves as the chairman and chief executive officer of HashKey Group. Mr. Xiao has more than 27 years of experiences in finance, asset management and securities management and had served key positions in different institutions including securities management office of the People's Bank of China, Shenzhen Branch from 1992 to 1993, Securities Management Office of Shenzhen from 1993 to 1998 and Bosera Fund Management Co., Ltd. from 1998 to 2011. Since 1998, Mr. Xiao has also been appointed as the director, the chairman and the president of various finance companies, fund or asset management companies, trust companies and insurance companies.

Mr. Xiao obtained a bachelor's degree of arts in Chinese from Jiangxi Normal University in 1983 and a doctoral degree in economics from Nankai University in 2003.

## Corporate Governance Report

The Board of the Company is committed to maintaining high standards of corporate governance. It believes that a high standard of corporate governance provides an effective framework and solid foundation for attracting and retaining high calibre and talented management, promoting high standards of accountability and transparency and meeting the expectations of all the Shareholders. The Board persists to establish a good corporate governance framework that is essential for effective management, continued business growth and a healthy corporate culture for the enhancement of shareholders' value in total. The Board believes that corporate culture is a prominent element to the fulfilment of the Company's mission. The Board has been putting efforts in review and enhance its risk management and internal controls and procedures in light of changes in regulations and developments in best practices, so as to ensure that the Company's purpose, values and strategies are aligned with the corporate culture. The principles of corporate governance adopted by the Group stress the importance of a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

Throughout the Year, the Company has adopted and complied with the applicable code provisions of the Corporate Governance Code ("CG Code") in force during the Year as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Code of Conduct for Securities Transactions**

The Company has adopted the code of conduct regarding Director's securities transactions with terms no less exacting than the required standard set out in the Model Code. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the Year.

### **The Board**

The Board is responsible for the formulation of the Group's purposes, values, strategies and policies, regulating and reviewing risk management and internal control systems, formulating and reviewing the Group's corporate governance policy, and directing and supervising the management of the business operations of the Group to ensure that its business objectives are met. The Board also ensures the fullest communication with the Shareholders and the Company's recognition of Shareholders' interest. The management of the Group is responsible for the day-to-day business operations and management of the Group and implementing the policies and strategies formulated by the Board and is accountable to the Board.

## **The Board (continued)**

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group. As at the date of this report, the Board comprises the following Directors:

### **Chairman**

Mr. Yu Feng (Non-executive Director)

### **Executive Directors**

Mr. Fang Lin (Chief Executive Officer)

Mr. Huang Xin

### **Non-executive Directors**

Mr. Michael James O'Connor

Ms. Hai Olivia Ou

### **Independent non-executive Directors**

Mr. Qi Daqing

Mr. Chu Chung Yue, Howard

Mr. Xiao Feng

The Company has been maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members with a number of at least three and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

For a Director to be considered independent, that Director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the year ended 31 December 2023 and the Company considers that they are independent.

Currently the non-executive Directors and independent non-executive Directors do not have specific terms of appointment. Code provision B.2.2 provides that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. According to the articles of association of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, then, the number nearest to but not less than one-third), shall retire from office by rotation, provided that every Directors shall be subject to retirement by rotation at least once every three years at each annual general meeting, and offer themselves for re-election.

The current Directors and their brief biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" of this announcement.

## The Board (continued)

The roles of the Chairman of the Board and the CEO are complementary, but importantly they are distinct and separate with a clear and well-established division of responsibilities. The Chairman, Mr. Yu Feng, is responsible for providing leadership to the Board, ensuring Board effectiveness and fostering constructive relationship between Directors. The CEO, Mr. Fang Lin, leads the management team and is responsible for managing the business of the Group, implementing the policies and strategies approved by the Board, and assumes full accountability for the day-to-day operations and management of the Group.

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management” of this announcement, there are no financial, business, family or other material/relevant relationships between Board members and between the Chairman and the CEO.

The Board meets regularly and at least 4 times a year. Between scheduled meetings, senior management of the Group provides to the Directors the information on the activities and developments in the businesses of the Group on a timely basis and, when required, additional Board meetings are held. In addition, the Directors have full access to the information of the Group and to independent professional advice whenever should they consider necessary. To ensure all directors an opportunity to attend, notice of at least 14 days will be given of a regular board meeting and an agenda and accompanying board papers will be sent, in full, to all directors at least 3 days before the date of a board or board committee meeting (or other agreed period). During the Year, a total of 5 Board meetings and 1 general meeting, including the annual general meeting were held and the attendance of each Director is set out below:

	<b>Number of meetings attended in the year ended 31 December 2023 / Number of meetings eligible to attend</b>					<i>AGM (Note)</i>
	<i>Board</i>	<i>NC</i>	<i>RC</i>	<i>AC</i>		
<b>Chairman</b>						
Mr. Yu Feng (non-executive Director)	5/5	2/2	-	-	0/1	
<b>Executive Directors</b>						
Mr. Fang Lin (appointed on 10 July 2023)	2/2	-	-	-	-	
Mr. Huang Xin	5/5	-	2/2	-	1/1	
<b>Non-executive Directors</b>						
Mr. Adnan Omar Ahmed (resigned on 30 June 2023)	2/2	-	-	-	0/1	
Mr. Michael James O'Connor	4/5	-	-	-	0/1	
Ms. Hai Olivia Ou	5/5	-	-	-	1/1	
<b>Independent non-executive Directors</b>						
Mr. Qi Daqing	5/5	2/2	2/2	2/2	0/1	
Mr. Chu Chung Yue, Howard	5/5	2/2	2/2	2/2	1/1	
Mr. Xiao Feng	4/5	-	2/2	2/2	1/1	

## The Board (continued)

Note:

NC – Nomination Committee

RC – Remuneration Committee

AC – Audit Committee

AGM – annual general meeting held on 16 June 2023

The Chairman also held meeting(s) with independent non-executive Directors without the presence of other Directors during the Year.

## Directors' Induction and Continuing Professional Development

All Directors, including independent non-executive Directors, should always know their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

During the Year, all Directors have received the following trainings:

<b>Directors</b>	<b><i>Continuing Professional Training on corporate governance, regulatory development and other relevant topics</i></b>
<b>Chairman</b>	
Mr. Yu Feng (non-executive Director)	✓
<b>Executive Directors</b>	
Mr. Fang Lin (appointed on 10 July 2023)	✓
Mr. Huang Xin	✓
<b>Non-executive Directors</b>	
Mr. Adnan Omar Ahmed (resigned on 30 June 2023)	N/A
Mr. Michael James O'Connor	✓
Ms. Hai Olivia Ou	✓
<b>Independent non-executive Directors</b>	
Mr. Qi Daqing	✓
Mr. Chu Chung Yue, Howard	✓
Mr. Xiao Feng	✓

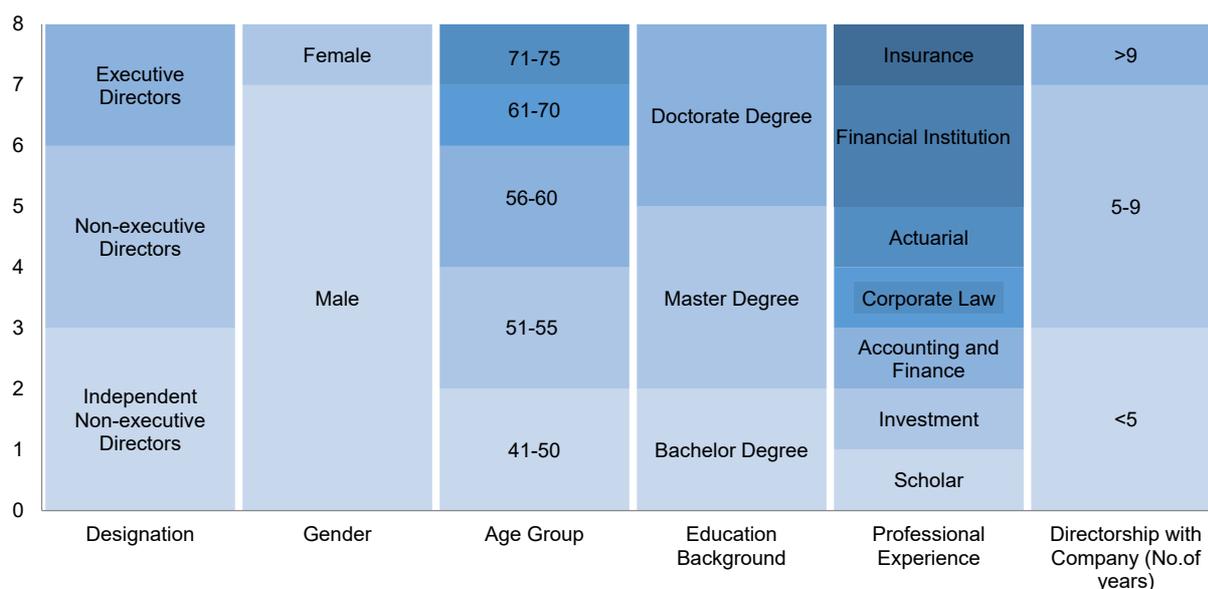
## Board Diversity Policy

The Company has adopted an updated board diversity policy in 2022 (the “Board Diversity Policy”) which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of a Board that possesses an appropriate balance and levels of skills, experience, expertise and diversity of perspectives essential to support the execution of its corporate and business strategies and to enhance the quality and effectiveness of its performance. Board diversity will strengthen the Company’s strategic objectives in driving business results; enhance good corporate governance and reputation; and attract and retain talent for the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

As at the date of this report, the Board composition under major criteria for diversity was summarised as follows:



The Board considers that the current Board composition is diverse and meets the criteria of the board diversity policy. Accordingly, no measurable objectives have been set for implementing the aforementioned policy. The Board will review the policy from time to time to ensure that the Board Diversity Policy is complied with.

During the Year, the Board has reviewed the implementation and effectiveness of Board Diversity Policy on an annual basis. A copy of the Board Diversity Policy is published on the Company’s website for public information.

## Board Independence

The Board has established mechanisms to ensure independent views are available to the Board. The summary of the mechanisms is set out below:

(i) **Composition:** The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being Independent Non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, Independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) **Independence Assessment:** The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

(iii) **Board Decision Making:** Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense. A Director (including independent non-executive Directors) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

## Board Committees

The Board is responsible for performing the corporate governance duties. During the Year, the Board has reviewed the policies and practices on corporate governance. The Board has also reviewed and monitored the training and continuous professional development of Directors and senior management, and the code of conduct and compliance manual applicable to employees and Directors. The Board has also reviewed and ensured the Group's compliance with the relevant legal and regulatory requirements, compliance with CG Code and disclosure in the Corporate Governance Report. Besides, the Company has set up three committees including, the Nomination Committee, the Remuneration Committee and the Audit Committee. Each committee has its specific terms of reference with reference to the CG Code.

## Remuneration Committee

The Remuneration Committee was chaired by Mr. Qi Daqing with existing members of Mr. Huang Xin, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng. The Remuneration Committee is responsible to make recommendation to the Board on the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee shall meet as and when required to consider remuneration related matters such as making recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management, and to assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. The written terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange. Code provision E.1.2(c)(ii) was adopted by the Remuneration Committee.

## Remuneration Committee (continued)

During the Year, the Remuneration Committee held 2 meetings. The Remuneration Committee reviewed the remuneration packages for Directors and senior management of the Group by assessing their performance and with reference to their expected duties and responsibilities and the current market condition and made recommendation to the Board.

The Remuneration Committee has adopted a Remuneration Policy in 2017, which sets out different remuneration policies and structures for independent non-executive Directors, non-executive Directors and executive Directors, reflecting the Group's objectives of a sound governance process and long-term value creation for the Group's shareholders. Details of the remuneration of the Directors of the Company during the Year are set out in note 13 to the financial statements. The remuneration paid or payable to the senior management of the Company by bands during the Year is set out below:

Remuneration bands (HK\$)	Number of persons
HK\$Nil to HK\$3,000,000	1
HK\$3,000,001 to HK\$10,000,000	1

## Nomination Committee

The Nomination Committee was chaired by Mr. Yu Feng with existing members of Mr. Qi Daqing and Mr. Chu Chung Yue, Howard. The terms of reference of the Nomination Committee have been determined with reference to the CG Code and posted on the websites of the Company and the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least once every year, making recommendations on any proposed changes to the Board to complement the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the CEO. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Nomination Committee is also responsible for the review of the Board Diversity Policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy (if any), and monitor the progress on achieving the measurable objectives (if any).

The Company has adopted a nomination policy on 1 January 2019 (the "Nomination Policy"). The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Policy sets out formal procedures for selection, appointment and re-appointment of Directors. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

## **Nomination Committee (continued)**

The criteria to be applied in considering whether a candidate is qualified shall include but not limited to his or her integrity, accomplishment and experience, in particular, in the industry of the Group's businesses, commitment in respect of available time and relevant interest and ability to contribute to the diversity of the Board.

During the Year, the Nomination Committee held 2 meetings. The Nomination Committee reviewed the structure of the Board and the Board Diversity Policy, and considered the nomination of director and CEO and nomination of the retiring Directors for re-election based on the nomination policy. In considering the nomination of appointment and/or re-appointment of directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, experience, skills, professional qualifications, independence and ability to commit time etc, and made recommendation to the Board for approval.

## **Audit Committee**

The Audit Committee is chaired by Mr. Chu Chung Yue, Howard, with existing members of Mr. Qi Daqing and Mr. Xiao Feng.

Mr. Chu holds a bachelor's degree in commerce from University of British Columbia and is a member of the Chartered Professional Accountants of Canada. Mr. Chu has appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are in line with the CG Code and are posted on the websites of the Company and the Stock Exchange. The Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim results and annual results and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Company's financial controls, risk management and internal control systems, internal audit and to review the Group's financial and accounting policies.

The Audit Committee held 2 meetings during the Year. There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed, inter alia, the accounting principles and practices adopted by the Group and discussed internal controls, financial reporting and risk management matters of the Group. The Audit Committee has also reviewed, and had meetings and discussions with external auditors, on the interim and annual consolidated financial statements of the Group.

## Whistle-blowing and Anti-corruption

The Board believes that anti-corruption and whistleblowing are core to establishing a healthy corporate culture and promoting high ethical standards of the Group. We have established a whistleblowing policy at Group level and a Speak-up Policy at the main subsidiary (insurance business) (the “Main Subsidiary”) level. Employees can report any suspected non-compliance or misconduct without disclosing their identity to ensure the whistle blowers can uphold the Group’s ethical standards without concerns of being retaliated.

The Group has zero tolerance on any forms of bribery, extortion, fraud or money laundering in our operation. Our compliance manual and corporate compliance guide outline the expectations of ethical behaviour for all employees to achieve and maintain high standards of integrity. Business practice and controls for preventing and combating corruption are assessed at both Group-level and business unit-level.

## Auditor’s Remuneration

A summary of fees for audit and non-audit services is as follows:

Nature of services	31 December	31 December
	2023	2022
	HK\$’000	HK\$’000
Audit services	23,463	12,370
Non-audit services	883	1,277
Total	<u>24,346</u>	<u>13,647</u>

## Responsibilities for Preparing the Financial Statements

The directors acknowledge that it is their responsibility for preparing financial statements which give a true and fair view.

## **Risk Management and Internal Control**

While the Group pursues growth in business, it also recognises the importance of effectively managing various risks associated with its operations. The Group aims to achieve a good balance between risks and growth by implementing appropriate risk management and internal control.

The Board has the responsibilities for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

As the insurance business has become Group's dominant business, to achieve comprehensive risk management, the Group conducts risk management and internal control at the Main Subsidiary level as well as the Group level, and has built a comprehensive system for which the Board has ultimate responsibilities, and the risk management and internal control systems covering all business lines are supervised directly by the management and supported by relevant professional committees with close cooperation of all business functions.

## **Organisation**

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks which it is willing to take whilst achieving the Group's strategic objectives and maintaining sound and effective risk management and internal control systems (including their effectiveness) to safeguard Shareholders' investments and the Group's assets.

The board of directors of the Main Subsidiary (the "Board of Subsidiary") has established its own audit committee and board risk committee which are responsible for overall risk management and internal control and report to the Board of Subsidiary together with the management of the Main Subsidiary (the "Management of Subsidiary"). The Management of Subsidiary establishes and supervises the risk management committee which identifies, prevents and controls various risks and reports to the board risk committee. The internal audit functions are conducted by the key management appointed by the Management of Subsidiary and report to the Audit Committee. Overall, the Board of Subsidiary reports to the management of the Group on risk management and internal audit matters.

The internal control system of the Group is mainly composed of operations, finance, risk management, information technology, legal, compliance, and audit functions, which is responsible for the risk management of non-insurance business.

## **Risk Management and Internal Control Systems**

Currently, the risk management framework of the Main Subsidiary includes three lines of defence of the overall risk management model organized by key business functions, risk management, compliance and legal, and internal audit:

The first line of defence is in charged by a team of highly experienced and competent senior management from key business functions. In particular, the risk management policies and procedures are put in place to safeguard a prudent underwriting policy.

The second line of defence is taken by the risk management, compliance and legal department, as well as the board risk committee of the Board of Subsidiary which manage the respective business risks including insurance risk, currency exchange risk, investment and interest rate risk, credit risk, operational risk, and regulatory and compliance risk.

The third line of defence is maintained by the internal audit department. The audit committee of the Board of Subsidiary will oversee and monitor through a risk-based approach to its work, providing assurance to the Board of Subsidiary.

At Group level, the industry standard “Three Lines of Defence” for the management of risks was also adopted, comprising (1) first line of defence: various business departments manage risk that they respectively own; (2) second line of defence: the risk management, legal, compliance and operation function, which defines and co-ordinates the operational risk strategy and framework, and is responsible for the statistics and reporting of various risks; and (3) third line of defence: internal and external function provides independent assurance.

## **Risk Management and Internal Control Review**

The review of the effectiveness of the Group’s risk management and internal control systems is conducted at least annually. During the Year, the management of the Group regularly conducted risk assessment and management, and to review the Group’s risk management and internal control systems. The risk committee of the Board of Subsidiary held 3 meetings and weekly management meetings were also conducted to discuss routine risks monitoring. In 2023, various risks were identified, monitored and reported by risk management function, legal function and compliance function. Corresponding measures against those risks were implemented. The risk management department implemented the internal audit function at the Group level and conducted internal audit mainly on department’s operational risks including description of existing workflow and cases sampling inspection, which focuses on the inspection of problems and deficiencies that have occurred, in addition to tracking and recording follow-up improvements. For the Main Subsidiary, internal audit department has conducted internal control reviews for various business functions throughout the Year including operational, management information systems and regulatory compliance reviews. The audit engagements are performed according to the risk-based and strategically-aligned audit plan which was approved by the audit committee of the Board of Subsidiary. Issues raised for improvement had been identified and appropriate actions were recommended. The major risks and benchmarks are set out in Report of the Directors of this announcement.

## **Risk Management and Internal Control Review (continued)**

The Risk Management and Internal Control Reports were presented to the Audit Committee of the Board for review in March 2024 and the reports show that as of the time when the annual review is conducted, all risk assessment tests and risk monitoring reports showed stable trends and favorable results and no major risk incidents or events that have caused significant financial losses to the Group have been identified. The Audit Committee of the Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and considered that the risk management and internal control systems were effective and adequate.

## **Dissemination of Inside Information**

The Company is committed to a consistent practice of timely, accurate and sufficiently details disclosure of material information about the Group. With the guidelines of the Company regarding the disclosure of inside information, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to determine the need for disclosure.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is well aware of its obligations under the SFO, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the SFC
- informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the SFC and the Stock Exchange
- has developed procedures and mechanisms for the disclosure of inside information
- has included in its compliance manual a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff
- has established and implemented procedures for responding to external enquiries about the Company's affairs. Only Directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas

## **Company Secretary**

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman and the CEO, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and the management.

Mr. Chan Man Ko, the company secretary of the Company, has complied with the training requirement under Rule 3.29 of the Listing Rules during the Year.

## **Shareholders' Right**

### **How Shareholders Can Convene an Extraordinary General Meeting (“EGM”)**

An EGM may be convened by the Directors on requisition of Shareholders holding not less than one-twentieth (5%) of the total voting rights of all Shareholders or by such Shareholder(s) who made the requisition (as the case may be) pursuant to section 566 to 568 of the Companies Ordinance and the articles of association of the Company. The objects of the meeting must be stated in the requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening an EGM.

### **Procedures for Putting Forward Proposals at a General Meeting**

Pursuant to the Companies Ordinance, Shareholders representing not less than one-fortieth (2.5%) of the total voting rights of all Shareholders; or not less than 50 Shareholders on which there has been paid up an average sum, per Shareholder, of not less than HK\$2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in section 615 of the Companies Ordinance for putting forward a proposal at a general meeting.

### **Procedures for Directing Shareholders' Enquiries to the Board**

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

Rooms 1803-1806, 18<sup>th</sup> Floor, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong  
Fax: (852) 2845 9036 / (852) 3102 9022  
Email: [ir@yff.com](mailto:ir@yff.com)

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## **Investor Relations and Dividend Policy**

The Company has adopted an updated Shareholders Communication Policy in 2022 (the “Shareholders Communication Policy”), and the Board is committed to provide clear and full performance information of the Group to the Shareholders. Information will be communicated to the Shareholders and the Investors mainly through the Company’s financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available the disclosures submitted to the Stock Exchange and its corporate communication and other corporate publications on the websites of the Stock Exchange and the Company. A copy of the Shareholders Communication Policy is published on the Company’s website for public information. The Company has reviewed the implementation and effectiveness of the shareholder communication policy during the Year and conclude that it is effective.

Shareholders are encouraged to attend the annual general meeting and the Chairman and Directors (including chairman/members of the Audit Committee, the Nomination Committee and the Remuneration Committee) as well as the representative of external auditor, should attend and answer questions on the Group’s business at the meeting. All resolutions at the general meeting are decided by a poll which is conducted by the Group’s share registrar.

The Group values feedback from the Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Further, the Company has adopted a dividend policy on 1 January 2019. The Company does not have any predetermined dividend payout ratio. Declaration, recommendation and payment of dividends of the Company is subject to the approval of the Board, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Board may consider relevant from time to time.

## **Constitutional Documents**

There is no change in the constitutional documents of the Company during the Year. The latest version of the articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

Hong Kong, 27 March 2024

## Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements for the year ended 31 December 2023.

### Principal Activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 21 to the financial statements. An analysis of the revenue and the results of the Group by business segments during the Year are set out in note 16 to the financial statements.

### Business Review

Detailed business review and future development of the Company's business are set out in "Management Discussion and Analysis ("MD&A") section of this announcement. An analysis of the Group's performance during the Year using financial key performance indicators is also provided in MD&A of this announcement. Discussions on the Group's ESG governance and risk management, environmental policies and performance, compliance with relevant laws and regulations that have a significant impact on the Group and key relationships with employees, customers, suppliers and other stakeholders are set out in the Environmental, Social and Governance Report ("ESG Report") of this announcement. MD&A and ESG Report also form part of this announcement.

### Key Risks and Uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to prevent and control the exposures to the identified risks.

#### **Regulatory risk**

Our businesses operate in highly-regulated markets and our success and operations can be impacted by changes to the regulatory environment and the structure of these markets. The Group pays close attention to financial regulatory and legislative developments of the markets it operates and actively monitors and consults with regulators of the markets on changes which could impact our business. Many of our key businesses are also subject to direct regulatory oversight and we are required to maintain the appropriate regulatory approvals and licenses to operate, and in some cases adhere to certain stringent financial and capital covenants.

## **Key Risks and Uncertainties (continued)**

### ***Insurance risks***

The Group prices its insurance products based on estimated benefit payments reflecting assumptions with respect to mortality, morbidity, longevity, persistency, interest rates and other factors. If actual policy experience emerges that is significantly and adversely different from assumptions used in product pricing, the effect could be material to the profitability of the Group. For participating whole life products, the insurance company's dividends to policyholders primarily reflect the difference between actual investment, mortality, expense and persistency experience and the experience embedded in the whole life premiums and guaranteed elements. The Group also makes use of reinsurance to mitigate the impact of its underwriting risk.

### ***Market risks***

Market risk comes from the changes in market value of investment exposures, which are caused by changes in market prices. The Group monitors daily market price fluctuations and major news with evaluation of their potential impact on the company, and monitors the company's exposure to the risk. Market risks disclosure and an overview of market risks are provided in weekly and quarterly reports.

### ***Currency exchange risks***

For the main subsidiary of the Group (insurance business) (the "Main Subsidiary"), the currency exchange risk is mainly related to certain insurance policies that are not denominated in United States (U.S.) dollars. However, most of the insurance policies are denominated in U.S. dollars. As the Main Subsidiary's investments are primarily made in U.S. dollars, coupled with the fact that the Hong Kong dollar is pegged to the U.S. dollar, management of the Main Subsidiary does not consider that the currency risk is material.

For investments made in non-U.S. dollars, Main Subsidiary mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimize currency risk for certain non-U.S. dollar assets and liabilities through a pre-specified exchange of interest and principal. Forward contracts are used to hedge movement in exchange rates. In year 2023, HKD liabilities were closely hedged by currency swaps and forward contracts.

## **Key Risks and Uncertainties (continued)**

### ***Investment and interest rate risks***

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the Main Subsidiary controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities. The Main Subsidiary tends to match dollar duration of the financial assets at fair value through other comprehensive income with its statutory liability dollar duration under current statutory regime of Hong Kong, to minimize the volatility in the statutory solvency ratio. Thus it allows a certain level of mismatch between asset and liability duration under economic basis. On the other hand, to prepare for the new risk-based capital regime, the Main Subsidiary has started lengthening of the asset duration in the past years and will continue to maintain its dollar-duration matched position under the current statutory regime.

After assessment of the ability of the Group to withstand adverse change in interest rates, the Group's investment and interest rate risks are under control.

### ***Credit risks***

Credit risk is the risk that issuers of investments owned by the Group may default or that other parties may not be able to pay amounts due to the Group. The management of the Group's credit risk mainly focuses on whether various credit risks are within the scope of the Group's institutional regulations and are summarized in the weekly risk report. The risk management department prepares separate reports on margins and trading limits every day. In the context of the quite volatile stock market this year, it promptly reminded the business and reduced the margin exposure, avoiding possible losses from credit risks.

The Main Subsidiary attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors as well as purchasing credit default swaps to transfer some of the risk if necessary. For year 2023, there is no active breach in concentration limit nor industry limit. Considering the resilience of the business to counterparty default events, the credit risk exposure is maintained within acceptable levels.

## Key Risks and Uncertainties (continued)

### Cyber risks

Cyber risk means any risk of financial loss, disruption or damage to the reputation of an organization from some sort of failure of its information technology systems, mainly including the security of network equipment and possible external attacks.

For the year of 2023, the top cyber threats under concerns also includes:

- a) Data leakage, loss or theft. Confidential or restricted information has been exposed to an unauthorized party, internally or externally.
- b) Attrition or denial of service. An attempt to make online service unavailable by overwhelming them with traffic from multiple sources; attacks that compromise, degrade, or destroy systems or networks, over time.
- c) Supplier or third party breach. When a third party that the Group has a business relationship experiences a breach where the Group's confidential or restricted information has been compromised.
- d) Improper usage. Any unauthorized activity resulting in violation of the Company's technology acceptable use policy by an authorized user.
- e) Insider threat. An insider threat can occur from people who have some level of access to the Group's networks, computer system(s), email or data, including: employees, former employees, contractors, business associates, or anyone who intentionally misuses that access to negatively affect the confidentiality, integrity, and availability of the Group's information or information systems.
- f) Malware or ransomware. Software that is intended to damage or disable computers and computer systems.
- g) Remote working. Unsecured / open Wi-Fi connections, unattended computers, and data breaches are just some of the potential negative impacts the company may experience. Less information protection awareness, and it's a combination that can leave the company vulnerable to cyber-attacks.
- h) Internet of Things (IoT). IoT is a network of intertwined devices, software, sensors, and other 'things' which enable the world to be connected throughout physical space. This can include business software, camera, smart home devices, or mobile phones. All of these things communicate with each other without the need for human interaction. This spider web contains vast amount of sensitive data and poses serious danger to information security.

The cyber risk was monitored in 2023, and the risk management and internal control report in year 2023 showed that the number of incidents was stable and manageable, the cyber issue was reported, and the network monitoring had been enforced.

## **Key Risks and Uncertainties (continued)**

### ***Operational risks***

Operational risk is the risk caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and operation systems, or from external events. The sources of operational risk are relatively wide. System, personnel, process and other types of problems can lead to operational risks which may be transformed to other types of risks. It summarizes the risks a company undertakes when it attempts to operate within a given field or industry.

The Group reports and tracks various operational risks that have occurred to ensure the problems are corrected and resolved. For the potential risks discovered and recorded, the risk management department has conducted research and discussion with various relevant departments on preventive measures and emergency measures and attempts to avoid unexpected risk events. Emergency drills for each business line and support department have been conducted. Solutions for the problems found were formulated.

### **Dividends**

The Directors do not recommend the payment of a final dividend for the Year (2022: nil).

### **Share Capital**

Details of the movements in the share capital of the Company during the Year are set out in note 36(e) to the financial statements.

### **Distributable Reserves**

Details of the distributable reserves of the Company as at 31 December 2023 are set out in note 36(c) to the financial statements.

### **Purchase, Sale or Redemption of the Listed Securities of the Company**

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## Equity Linked Agreements

Save as disclosed below, the Company, throughout the Year, did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

## Share Option Scheme

The Company has adopted a share option scheme on 28 June 2022 (the “Share Option Scheme”) which has a life of 10 years from the date of adoption.

The purpose of the Share Option Scheme is for the Company to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide it with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

In determining the basis of eligibility of each participant, the Board would mainly take into account of the experience of the participant on the Group’s business, the length of service of the participant with the Group (if the participant is an employee or a director of any member of the Group), the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the participant has established with the Group (if the participant is an agent of any member of the Group), and the amount of support, assistance, guidance, advice, efforts and contributions the participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the participant is likely to be able to give or make towards the success of the Group in the future.

Pursuant to the Share Option Scheme, the Company can grant options to participants for a consideration of HK\$1.00 for each grant payable by the participant.

No participant shall be granted an option, if the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted to such participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant would exceed 1% of the Shares in issue unless such further grant has been approved by the Shareholders in general meeting with the participant and his associates abstaining from voting.

## Share Option Scheme (continued)

Where the Board proposes to grant any option to a participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate more than 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. The participant concerned and all connected persons of the Company must abstain from voting in favour of the resolution at such general meeting and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

Subscription price in respect of each Share issued pursuant to the exercise of options granted hereunder shall be a price as determined by the Board in its absolute discretion but in any case the option subscription price shall be at least the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the share option offer date, which must be a trading day; and (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the share option offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further options will be granted. Subject to the compliance with the provisions of Chapter 17 under the Listing Rules, the provisions of the Share Option Scheme shall remain in full force and effect, and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The period within which the Shares must be taken up under the option, must not be more than 10 years from the share option offer date.

According to the Share Option Scheme, the total number of share options that could be granted is 386,799,167, representing approximately 10% of the total Shares in issue on the date of adoption of the Share Option Scheme (i.e. 28 June 2022) and as of the date of this report. Details and other principal terms of the Share Option Scheme are set out in the circular of the Company dated 2 June 2022.

During the Year, no share options had been granted, exercised, cancelled, lapsed or outstanding.

## Share Award Schemes

The Board had approved the adoption of two share award schemes on 30 October 2014 (the “2014 Share Award Scheme”) and 12 December 2016 (the “2016 Share Award Scheme”) respectively.

The purposes of the above share award schemes are to (i) encourage or facilitate the holding of Shares by the selected participants; (ii) encourage and retain such individual to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

The maximum number of shares can be issued or purchased under the 2016 Share Award Scheme and the 2014 Share Award Scheme is 10% of the Shares in issue from time to time (i.e. 386,799,167 Shares, representing 10% of total issued Shares as at the date of this report). The total number of Shares which is available for being further issued under the 2016 Share Award Scheme and the 2014 Share Award Scheme (i.e., 353,478,928 Shares) represents 9.14% of total issued Shares as at the date of this report.

### **2014 Share Award Scheme**

2014 Share Award Scheme is administered by the administration body and the trustee in accordance with the rules of the 2014 Share Award Scheme and the trust deed. Pursuant to 2014 Share Award Scheme, subject to all relevant applicable terms, conditions and provisions of the rules relating to the 2014 Share Award Scheme, the administration body may at its absolute discretion (a) select or designate any person to be a selected participant; (b) determine the number of restricted or unrestricted shares to be granted to selected participants. Participants includes (i) Group A participant, any individual being currently employed in good faith by the Company or any subsidiary and who is not a connected person (as defined or deemed to be the case under the Listing Rules) of the Company; and (ii) Group B participant, means any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any subsidiary.

The maximum number of Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 10% of the total Shares in issue as at the date of adoption of 2014 Share Award Scheme (i.e. 30 October 2014) (the “2014 Adoption Date”). Since the 2014 Adoption Date and up to the date of this report, a total of 9,330,239 Shares have been awarded under the 2014 Share Award Scheme, representing approximately 0.24% of the total Shares in issue as at the date of this report.

During the Year, no Shares had been awarded under the 2014 Share Award Scheme and no awarded shares had been vested, cancelled or lapsed. As at 31 December 2023, 26,667 Shares were held by the trustee under the 2014 Share Award Scheme.

2014 Share Award Scheme shall terminate on the earlier of (i) the expiry of the period of 10 years from the 2014 Adoption Date, or (ii) such date of early termination as determined by the Board. Details and other principal terms of the 2014 Share Award Scheme are set out in the announcement of the Company dated 30 October 2014. Further details of the 2014 Share Award Scheme are set out in Note 37 to the financial statements.

## Share Award Schemes (continued)

### 2016 Share Award Scheme

In accordance with the rules of the 2016 Share Award Scheme, the Board may, from time to time at its absolute discretion: (i) select any Group A Participant to be a selected participant and grant share awards to such selected participant which are to be satisfied by the new Shares to be subscribed by the trustee under the Company's available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the shareholders of the Company (the "Pool A Share Awards"); or (ii) select any Group B participant to be a selected participant and grant share awards to such selected participants which are to be satisfied by the existing Shares received by the trustee from any shareholder of the Company or purchased by the trustee (either on-market or off-market) (the "Pool B Share Awards"). For the purposes of the 2016 Share Award Scheme, a Group A Participant can also be a Group B Participant if so selected by the Board. If an individual is at the same time a Group A Participant and a Group B Participant, the Board may, at its absolute discretion, grant to such individual Pool A Share Awards or Pool B Share Awards or a combination of both. Among them, Group A Participant means any individual who is an employee, officer, agent or consultant of the Company or any subsidiary who is not a connected person (as defined or deemed to be the case under the Listing Rules) of the Company; and if the administration body so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any subsidiary; and (ii) Group B Participant means any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any subsidiary.

TMF Trust (HK) Limited ("TMF Trustee") and Bank of Communications Trustee Limited ("BoCom Trustee") have been appointed as the trustees for the administration of the 2016 Share Award Scheme. TMF Trustee shall hold the Shares for the benefit of the selected participants who are not connected persons (as defined under the Listing Rules) of the Company. BoCom Trustee shall hold the Shares for the benefit of the selected participants who are connected persons of the Company. BoCom Trustee and/or TMF Trustee shall not be entitled to exercise any voting rights in respect of any Shares held under the trusts.

Since the date of adoption of 2016 Share Award Scheme (i.e. 12 December 2016) (the "2016 Adoption Date") and up to the date of this report, 9,330,239 Shares have been awarded pursuant to the 2014 Share Award Scheme while 43,040,000 Shares have been awarded pursuant to the 2016 Share Award Scheme, in aggregate representing about 1.35% of the total Shares in issue as at the date of this report.

During the Year, no Shares had been awarded under the 2016 Share Award Scheme. As at 31 December 2023, 15,395,000 Shares were held by TMF Trustee under the 2016 Share Award Scheme.

The 2016 Share Award Scheme shall terminate on the earlier of (i) the expiry of the period of ten (10) years from the 2016 Adoption Date; or (ii) such date of early termination as determined by the Board. Details and other principal terms of the 2016 Share Award Scheme are set out in the announcements of the Company dated 12 December 2016, 11 January 2017 and 24 January 2017. Further details of the 2016 Share Award Scheme are set out in Note 37 to the financial statements.

## **Directors**

The Directors during the Year and up to the date of this report are:

### **Chairman**

Mr. Yu Feng (Non-executive Director)

### **Executive Directors**

Mr. Fang Lin (appointed as executive Director and chief executive officer of the Company on 10 July 2023)

Mr. Huang Xin (ceased to act as Interim Chief Executive Officer on 10 July 2023)

### **Non-executive Directors**

Mr. Adnan Omar Ahmed (resigned on 30 June 2023)

Mr. Michael James O'Connor

Ms. Hai Olivia Ou

### **Independent non-executive Directors**

Mr. Qi Daqing

Mr. Chu Chung Yue, Howard

Mr. Xiao Feng

In accordance with article 103(A) of the Company's articles of association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the Year and the Company considers that they are independent.

## Changes of Directors' Information

There is no change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2023 interim report and up to the date of this report.

## Directors of Subsidiaries

The names of directors who have served on the boards of the subsidiaries of the Company during the Year and up to the date of this report included: Yu Feng, Huang Xin, Hai Olivia Ou, Qi Daqing, Yip Ka Lin Victor, Chan Man Ko, Ng Yu Lam Kenneth, Liu Shu-Yen, Xu Jinghui, Wong Gah Jih, Yu Tin Yau Elvin, Tse Chi Hung, Liu Zhiguang, Leung Pui Hong, Ku Sanqi, Gao Ariana Jiasui, Zhang Ting, Jiao Qi, Wang Jing<sup>1</sup>, Li Wenjia<sup>1</sup>, Daniel Thomas Rewalt<sup>1</sup>, Lorna Carroll<sup>1</sup>, Brian Eden<sup>2</sup>, Neil Gray<sup>2</sup>, Adnan Omar Ahmed<sup>2</sup>, Lee Siu Chuen<sup>2</sup>, Zhou Haigen<sup>2</sup>, He Shiqiang<sup>2</sup>, and Liu Shaojie<sup>2</sup>.

Notes:

- 1 Companies in which they serve as directors are incorporated in places other than Hong Kong
- 2 No longer directors of the subsidiaries as at the date of this report

## Directors' Service Contracts

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year, or to pay compensation or make other payments equivalent to more than one year's emolument.

## Directors' and chief executive's interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations

As at 31 December 2023, the interests and short positions of each director of the Company and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, or known to the Company, were as follows:

### Long positions in the ordinary shares of the Company and the underlying Shares:

<i>Name of Director</i>	<i>Capacity/Nature of interests</i>	<i>Number of Shares held</i>	
		<i>Long position</i>	<i>Percentage of shareholding</i>
Mr. Yu Feng ( <i>note 1</i> )	Held by controlled corporation/Corporate interest	1,827,641,279	47.25%

Note:

- Mr. Yu Feng, the Chairman of the Group and a non-executive Director, is deemed to be interested in 1,827,641,279 Shares under the SFO through Jade Passion, a company of which 73.21% of its issued share capital is owned by Key Imagination Limited ("Key Imagination"). 91% of the issued share capital of Key Imagination is owned by Yunfeng Financial Holdings Limited ("YFHL"), 70.15% of the issued share capital of which in turn, is owned by Mr. Yu Feng.

**Directors' and chief executive's interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (continued)**

**Long positions in the shares and the underlying shares of associated corporations:**

<i>Name of Associated Corporation</i>	<i>Name of Director</i>	<i>Capacity/Nature of Interests</i>	<i>Number of Shares held in Associated Corporation</i>	
			<i>Long position</i>	<i>Percentage of shareholding</i>
Yunfeng Financial Holdings Limited	Mr. Yu Feng	Beneficial owner/Beneficial interest	94	70.15%
Key Imagination Limited	Mr. Yu Feng (Note 1)	Held by controlled corporation/ Corporate interest	9,100	91%
	Mr. Huang Xin (Note 2)	Held by controlled corporation/ Corporate interest	900	9%
Jade Passion Limited	Mr. Yu Feng (Note 1)	Held by controlled corporation/ Corporate interest	7,321	73.21%

Notes:

- Mr. Yu Feng, the Chairman of the Group and a non-executive Director, was interested in 9,100 shares, representing 91% of equity interest in Key Imagination through YFHL, the substantial shareholder of the Company. Mr. Yu Feng was also interested in 7,321 shares, representing 73.21% of equity interest in Jade Passion through Key Imagination. Both Key Imagination and Jade Passion are substantial shareholders of the Company.
- Mr. Huang Xin, an executive Director, is the sole shareholder of Perfect Merit Limited which owns 900 shares, representing 9% of the equity interest in Key Imagination.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/ or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

## Directors' Rights to Acquire Shares

Save as disclosed elsewhere in this report, at no time during the Year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any other body corporations.

## Substantial Shareholders' and Other Persons' Interests in Shares

As at 31 December 2023, the Company was notified of the following substantial Shareholders' and other persons' interests, being 5% or more of issued Shares and recorded in the register kept under Section 336 of the SFO.

<b>Name of Substantial Shareholder</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares held</b>	
		<b>Long position</b>	<b>Percentage of shareholding</b>
Mr. Yu Feng ( <i>Note 1</i> )	Held by controlled corporation / Corporate interest	1,827,641,279	47.25%
Yunfeng Financial Holdings Limited ( <i>Note 1</i> )	Held by controlled corporation / Corporate interest	1,827,641,279	47.25%
Key Imagination Limited ( <i>Note 1</i> )	Held by controlled corporation / Corporate interest	1,827,641,279	47.25%
Jade Passion Limited ( <i>Note 1</i> )	Beneficial owner / Beneficial interest	1,827,641,279	47.25%
Massachusetts Mutual Life Insurance Company ( <i>Note 2</i> )	Held by controlled corporation / Corporate interest	960,000,000	24.82%
MassMutual International LLC ( <i>Note 2</i> )	Beneficial owner / Beneficial interest	960,000,000	24.82%

### Notes:

- Mr. Yu Feng, the Chairman of the Group and a non-executive Director, is deemed to be interested in 1,827,641,279 Shares under the SFO through Jade Passion, a company of which 73.21% of its issued share capital is owned by Key Imagination. 91% of the issued share capital of Key Imagination is owned by YFHL, 70.15% of the issued share capital of which in turn, is owned by Mr. Yu Feng.
- Massachusetts Mutual Life Insurance Company was interested in 960,000,000 Shares through its 100% controlled corporation "MassMutual International LLC".

Save as disclosed above, as at 31 December 2023, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under divisions 2 and 3 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

## **Directors' Interests in Transactions, Arrangements or Contracts**

Save as disclosed elsewhere in this report, no transactions, arrangements or contracts of significance (i) to which the Company, its holding company or any of their subsidiaries was a party, and in which a Director or his connected entities was materially interested, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year, nor (ii) between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

## **Director's Interest in Competing Business**

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

## **Connected Transactions and Continuing Connected Transactions**

The following persons, among others, are connected person of the Company:

- MMI, which holds approximately 24.82% of the issued Shares, and hence a substantial shareholder and a connected person of the Company under Rule 14A.07 (1) of the Listing Rules;
- MMLIC, the sole shareholder of MMI, and hence an associate of MMI and a connected person of the Company under Rule 14A.13 (1) of the Listing Rules; and
- Barings LLC, a limited liability company organized in the State of Delaware, the U.S.A. and an indirect wholly-owned subsidiary of MMLIC, and hence an associate of MMI and a connected person of the Company under Rule 14A.13 (1) of the Listing Rules.

During the Year and up to the date of this report, the Group conducted the following transactions which constituted continuing connected transactions for the Company that are not exempt from annual reporting requirement under Chapter 14A of the Listing Rules, in respect of which a circular dated 21 December 2017 (the "2017 Circular"), an announcement dated 15 November 2019 (the "2019 Announcement"), an announcement dated 30 December 2020 (the "2020 Announcement") and an announcement dated 12 November 2021 (the "2021 Announcement") were issued.

## Connected Transactions and Continuing Connected Transactions (continued)

### 1. **Barings Investment Advisory Agreement and Renewal of Barings Investment Advisory Agreement**

**Parties:** Barings LLC and YF Life

**Date:** 15 December 2017

**Principal terms:** Pursuant to the Barings Investment Advisory Agreement, YF Life agreed to engage Barings LLC as its investment adviser to acquire, manage, service and dispose of investments for YF Life. The assets and the type and amount of assets to be managed by Barings LLC pursuant to the Barings Investment Advisory Agreement will be determined by the investment committee of YF Life.

The initial term of the Barings Investment Advisory Agreement commenced from the 16 November 2018 and has expired on 15 November 2021. The Barings Investment Advisory Agreement will be automatically renewed for successive one-year terms. Either party may terminate the Barings Investment Advisory Agreement upon 30 days' written notice to the other party. Following the initial term of the Barings Investment Advisory Agreement, and subject to the satisfactory performance of Barings LLC, the relevant expertise and the pricing terms, Barings LLC shall continue to be the preferred manager of YF Life's fixed income investment portfolio. The Company shall re-assess the investment needs of YF Life closer to the expiry of the initial term of the Barings Investment Advisory Agreement and if the Company considers the continued provision of such services by Barings LLC to YF Life to be beneficial to YF Life, the term of the Barings Investment Advisory Agreement may be extended. The Company will re-comply with the applicable requirements under the Listing Rules as and when the Barings Investment Advisory Agreement is renewed after the expiry of the initial term. Subsequent to the initial term, the Barings Investment Advisory Agreement was automatically renewed for an additional year, subject to Automatic Renewal thereafter ("Renewal of Barings Investment Advisory Agreement"). For details please refer to the 2021 Announcement.

The Barings Investment Advisory Agreement was negotiated by the Company, YF Life and MMI on an arm's length basis and entered into on normal commercial terms.

## Connected Transactions and Continuing Connected Transactions (continued)

**Pricing terms:** YF Life will pay to Barings LLC fees calculated at rates based on asset type. The fee rates range from 0.25 basis points to 100 basis points. Such fee rates were determined based on arm's length negotiations taking into account (i) the type of assets to be managed by Barings LLC and (ii) preferred partner status granted by the Company to MMI under the Strategic Cooperation Agreement.

The Company has assessed the business needs of YF Life for the services under the Barings Investment Advisory Agreement. The Company considered (i) the historical amounts of fees paid by YF Life to Barings LLC; (ii) the historical fee rates charged by Barings LLC; and (iii) the fee rates for comparable services offered by two other competent independent third party service providers which the Company considered to be fair and representative given that such independent third party service providers offer comparable investment advisory services to clients in Hong Kong. The Company considers that the fee rates offered by Barings LLC are in line with the market rates offered by other competent independent third party providers for comparable services as a whole.

**Reasons for the transaction:** In connection with underwriting insurance policies, YF Life invests policy premium, to generate sufficient return for satisfying future insurance claims and dividend obligations. Barings LLC has assisted YF Life in executing its long term investment asset allocation strategies since the year 2000. The continuation of Barings LLC's asset management services will not only avoid the operational risks resulting from contracting a new asset manager but will also avoid any material disruptions in the execution of YF Life's long term asset allocation strategies.

**Annual caps:** The maximum aggregate annual amount of fees payable by YF Life to Barings LLC for the years ending 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024 shall not exceed the caps set out below:

	<b>Proposed Annual Cap for the Year Ending 31 December (HKD'000)</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Total fees</b>	111,000	122,000	138,000	155,000

The aggregate amount paid by the Group in respect of, the Barings Investment Advisory Agreement and the Renewal of the Barings Investment Advisory Agreement for the year ended 31 December 2023 is approximately HK\$78,951,000 (being 57% of the annual cap for 2023.)

## Connected Transactions and Continuing Connected Transactions (continued)

All the independent non-executive Directors, having reviewed the transactions under the Barings Investment Advisory Agreement and the Renewal of the Barings Investment Advisory Agreement (the “2023 CCTs”), confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the Shareholder as a whole.

The Company has engaged its external auditor to report on the 2023 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention which caused it to believe that:

- (i) the 2023 CCTs have not been approved by the Board;
- (ii) the 2023 CCTs were not entered into, in all materials respects, in accordance with the relevant agreements governing such transactions;
- (iii) the aggregate amount paid by the Group in respect of the 2023 CCTs has exceeded the annual cap of 2023 as disclosed in the 2021 Announcement.

During the Year, the Group did not have any connected transactions that were subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

A summary of all related parties transactions entered into by the Group during the Year is contained in Note 40 to the financial statements. All the related parties transactions described in the said note do not fall under the definition of “connected transaction” or “continuing connected transaction” under the Listing Rules, other than transactions under the the Barings Investment Advisory Agreement and the Renewal of the Barings Investment Advisory Agreement as described in Note 40 which falls under the definition of “continuing connected transaction” under the Listing Rules and was disclosed previously by the Company pursuant to the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Year.

## Management Contracts

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

## **Major Suppliers and Major Customers**

During the Year, revenue derived from the Group's 5 largest customers are less than 30% of total revenue from sales of the Group.

The Group is a provider of insurance business and financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

Save as disclosed elsewhere in this report, none of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors own more than 5% of the issued Shares, had an interest in the major customers.

## **Charitable Donations**

During the Year, no charitable donations is made by the Group (2022: nil).

## **Corporate Governance**

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practice of the Company is set out in the Corporate Governance Report of this announcement.

## **Indemnity of Directors**

A permitted indemnity provision as set out in the articles of association of the Company that provides for indemnity against liability incurred by directors and executive officers of the Group is currently in force and was in force throughout the Year.

## **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient public float of the Company's securities as required under the Listing Rules.

## **Independent Auditors**

The consolidated financial statements have been audited by KPMG who will retire at the forthcoming annual general meeting of the Company. A resolution for reappointment of KPMG will be proposed for Shareholders' approval at the forthcoming annual general meeting.

## **Review by Audit Committee**

As at the date of this report, the Audit Committee comprised three independent non-executive Directors. The Audit Committee is chaired by Mr. Chu Chung Yue, Howard with Mr. Qi Daqing and Mr. Xiao Feng being the other members. The terms of reference of the Audit Committee are in line with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee.

# Environmental Social and Governance Report

## ABOUT THIS REPORT

### Our Business

Listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEX”), Yunfeng Financial Group Limited principally engages in the provision of insurance products through YF Life, as well as other financial services covering brokerage, investment research, corporate finance, asset and wealth management, employee stock ownership plan administration services and fintech business, etc.

Through YF Life, we are authorised by the Insurance Authority to conduct long-term insurance business in Hong Kong. Based in Hong Kong with branch offices in Macao, we provide a wide range of insurance products, including life insurance, medical insurance, annuities, pensions, and mandatory provident fund schemes. YF Life is also one of the first (and few) insurance companies to introduce annuities in the region.

### Reporting Reference

Yunfeng Financial Group Limited (the “Company”, and together with its subsidiaries, the “Group”) is committed to incorporating sustainability factors into its governance structure and investment and delivering sustainable returns to its shareholders.

To communicate our efforts on environmental, social, and governance (“ESG”) matters, this Environmental, Social and Governance report (“ESG Report”) has been prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (“ESG Guide”) set out in Appendix C2 of the Rules Governing the Listing of Securities on HKEX.

In preparation of this ESG Report, the Group follows the four ESG Guide reporting principles:

Reporting principles	Application in this ESG Report
<b>Materiality</b>	Material ESG issues were identified through materiality assessment and prioritised with inputs from the Group’s stakeholders. The process of materiality assessment and list of our key stakeholders can be found in the “Stakeholder Engagement and Materiality Assessment” section of this Report.
<b>Quantitative</b>	The Group accounts for and discloses ESG key performance indicators (“KPIs”) quantitatively to evaluate the effectiveness of ESG policies and strategies.
<b>Balance</b>	This ESG Report aims to disclose data in a transparent manner, providing stakeholders an unbiased overview of the Group’s overall ESG performances with both achievements and areas of improvement.
<b>Consistency</b>	The Group adopts consistent methodology in compiling ESG data reported in previous years to allow a meaningful comparison of ESG performance over time. Any updates in the methods or KPIs used are disclosed.

## Scope and Boundary of the ESG Report

This ESG Report covers the ESG policies and performance of the Group's operation in all jurisdictions from 1 January 2023 to 31 December 2023 ("reporting period"). The boundary of the ESG Report covers our dominant insurance business under YF Life and other non-insurance financial services, including brokerage, investment research, corporate finance, asset and wealth management, employee stock ownership plan administration services, and fintech business.

The scope of this ESG Report primarily covers all offices<sup>1</sup> of the Group in Hong Kong S.A.R. ("Hong Kong"), Macao S.A.R. ("Macao"), and the Mainland of the People's Republic of China ("PRC"). The reported ESG data covers the below offices of the Group:

- Thirteen offices and one warehouse in Hong Kong;
- One office in the PRC; and
- Two offices in Macao.

## Contact

We welcome your comments and feedback regarding the content of this ESG Report, the reporting approach, and our ESG performance. Please share your views at: [ir@yff.com](mailto:ir@yff.com).

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<sup>1</sup> Includes two offices that were closed in August and October 2023 respectively.

## OUR APPROACH TO ESG

### ESG Governance and Risk Management

The Board is responsible for overseeing the Group's ESG vision, objectives and strategies. It reviews the Group's performance on ESG-related issues and evaluates the nature and extent of the risks that it is willing to take whilst achieving the Group's strategic objectives and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholders' investments and the Group's assets.

The risk management function of the Group consists of a defined management structure. The board of directors of the insurance business ("main subsidiary") of the Group (the "Board of Subsidiary") has established its own Audit Committee and Board Risk Committee, which provide practical guidelines and support on risk management and internal control, and regularly report to the Board of Subsidiary together with the management of the main subsidiary of the Group ("Management of Subsidiary"). The main subsidiary's Risk Management Committee, established by the Management of Subsidiary, is responsible for the continuous identification, monitoring, and reporting of various risks to the Board Risk Committee. Management of Subsidiary authorises the key management to supervise the internal audit functions and report to the Audit Committee on identified control weaknesses. Overall, the Board oversees the implementation and supervision of the risk management and internal audit function of the Group, which the Board of Subsidiary reports to the management of Yunfeng Financial Group Limited.

The internal control system is supervised by the senior management of the Group, which includes executive directors, and heads of business functions from operations, finance, risk management, information technology, legal, and compliance teams. They are responsible for the regular review of the overall risk management and effectiveness of the internal control of non-insurance businesses.

As we are primarily engaged in the financial and insurance services sector, we are required to comply with all related laws and regulations, including the Hong Kong Securities and Futures Ordinance and the Insurance Ordinance, etc. The overall governance effort is led by the senior management of the Company, including executive directors and heads of business functions, and is implemented primarily through our operations, finance, risk management, information technology, legal, and compliance teams.

The Group adopts a top-down approach to manage ESG issues. As the highest authority of the Group, the Board is responsible for reviewing and managing the Group's strategic objectives, activities, and performance related to ESG and risk management. To effectively manage our ESG-related issues, coordinators from the insurance and non-insurance businesses work closely with different departments to identify and manage ESG-related issues and collect quantitative and qualitative information to prepare the ESG report. The coordinators report directly to management and the Board to ensure the Group's ESG performance aligns with relevant goals and targets. To safeguard shareholders' investment and the Group's assets, the Board reviews the effectiveness of its risk management and internal control systems regularly to ensure that they can adapt to the ever-changing business environment.

Regarding the details of corporate governance, please refer to the Corporate Governance Report section of this announcement.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group recognises the importance of interacting with stakeholders as a vital part of our business development and strategy. To better understand their expectations and concerns about our ESG approach, we regularly engage our key stakeholders through multiple communication channels, such as meetings, performance reviews, exhibitions, etc. Their key concerns are summarised below:

### Summary of Stakeholders' Communication Channels

Stakeholder groups	Communication and feedback channels	Frequency	Topics of discussion
Employees	<ul style="list-style-type: none"> <li>Meetings</li> <li>Performance reviews</li> <li>Internal email correspondences</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> <li>Annually</li> <li>Event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>Talent attraction, development, and retention</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Annual general meetings ("AGM"), extraordinary general meetings ("EGM")</li> <li>Announcements, annual reports, interim reports, circulars</li> </ul>	<ul style="list-style-type: none"> <li>Annually for AGM</li> <li>Ad hoc for EGM</li> <li>Event-driven basis for other channels</li> </ul>	<ul style="list-style-type: none"> <li>Business development</li> <li>Financial performance</li> <li>Corporate governance</li> <li>Major corporate actions and transactions</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Correspondence mails/emails</li> <li>Phone calls</li> <li>Site visits</li> </ul>	<ul style="list-style-type: none"> <li>On need basis</li> <li>Event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with regulations</li> <li>Business updates</li> </ul>
Clients	<ul style="list-style-type: none"> <li>Know-your-client (KYC) onboarding process</li> <li>Face-to-face meetings with our business representatives</li> <li>Phone calls and emails with our client service representatives</li> </ul>	<ul style="list-style-type: none"> <li>Meeting/phone calls, and emails on an event-driven basis</li> <li>Electronic trading platform on an event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>Product and trading system quality and development</li> <li>Fair and transparent dealing practice</li> <li>Enterprise branding</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>On-site visits</li> <li>Meetings</li> <li>Conference calls</li> </ul>	<ul style="list-style-type: none"> <li>Event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>Business development</li> <li>Fair business practice and market</li> </ul>

			<ul style="list-style-type: none"> <li>reputation</li> <li>• Sound financial strength and management</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Marketing campaigns</li> <li>• Exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>• Event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>• Business development and strategies</li> <li>• Product and service promotion</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• On-site visits</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Event-driven basis</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and commitment to communities</li> </ul>

### Materiality Assessment

We value stakeholders' concerns and views on our sustainable development and therefore we conducted interviews and surveys to identify ESG-related priorities for our operations. The results are reviewed regularly in response to significant changes in our operating environment and updates on ESG reporting standards, to ensure the topics identified align with our business operations. With no significant change to the Group's businesses and across the industry, we believe that the current list of material issues is still valid for the reporting period.

We continue to consider the overall social aspect to be more material than environmental aspect, with the most important issues being anti-corruption, customer privacy, and the health and safety of our employees. Moving forward, the Group will continue to engage with our stakeholders regularly to identify ESG risks and opportunities in relation to our business operations and monitor any changes in the sustainability reporting trends.

## EMPLOYMENT AND LABOUR PRACTICE

The Group recognises employees as our most valuable assets. We strive to establish a diverse, inclusive, safe and equitable workplace where everyone can excel and attain business goals. The Group is committed to maintaining fairness and respect in the workplace. Our human resources practices are governed by YF Life and the Group's Employee Handbook, which documents guidelines and conditions of employment, promotion, benefits and remuneration, training and development, and business conduct in accordance with the relevant laws and regulations.

### Employment

#### *Talent recruitment and retention*

To attract and retain talents, we provide our employees with comprehensive welfare and compensation packages, including share option and share award schemes, retirement, and medical benefits, insurance coverage, and leave entitlement commensurate to market standards.

The Group believes our success is dependent on the collective contribution of our employees. We recognise the importance of sharing success, and we will reward individuals based on their annual appraisals. We also provide unparalleled career development opportunities, such as an internal mobility programme, such that our employees can leverage their full potential and have the opportunity to engage with different teams and clients.

#### *Diversity and equal opportunity*

The Group values a diverse workforce as it enables us to attract a wide variety of talents and achieve desirable outcomes for our stakeholders. We strictly comply with the regulations stated in our Equal Employment Opportunity Policy to guarantee employees' basic rights and adhere to fair and impartial human resources management practices in areas such as recruitment, promotion, salary administration and training opportunities. All employment decisions are made based on bona fide occupational requirements. We strictly prohibit any form of discrimination, harassment, bias, or prejudice of employees and job candidates due to their gender, age, disability, family status, race or marital status and other statuses protected by local laws.

We encourage employees to report any suspected non-compliance and violations to the Human Resources Department through designated whistle-blowing channels without fear of reprisal. Upon receipt of the suspected case, a thorough investigation will be carried out without disclosing the whistle-blower's identity. Shall any cases be confirmed as violations, we will take appropriate disciplinary actions accordingly or even terminate the employment of the persons involved.

To promote better leadership and corporate governance, the Group adopted a Board Diversity Policy since 2013, which clearly demonstrates our commitment to non-discrimination and equal opportunity. Our Board Diversity Policy guides us to achieve board diversity by considering numerous factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age, and length of service. For further details, please refer to the Corporate Governance Report section of this announcement.

### Labour practices

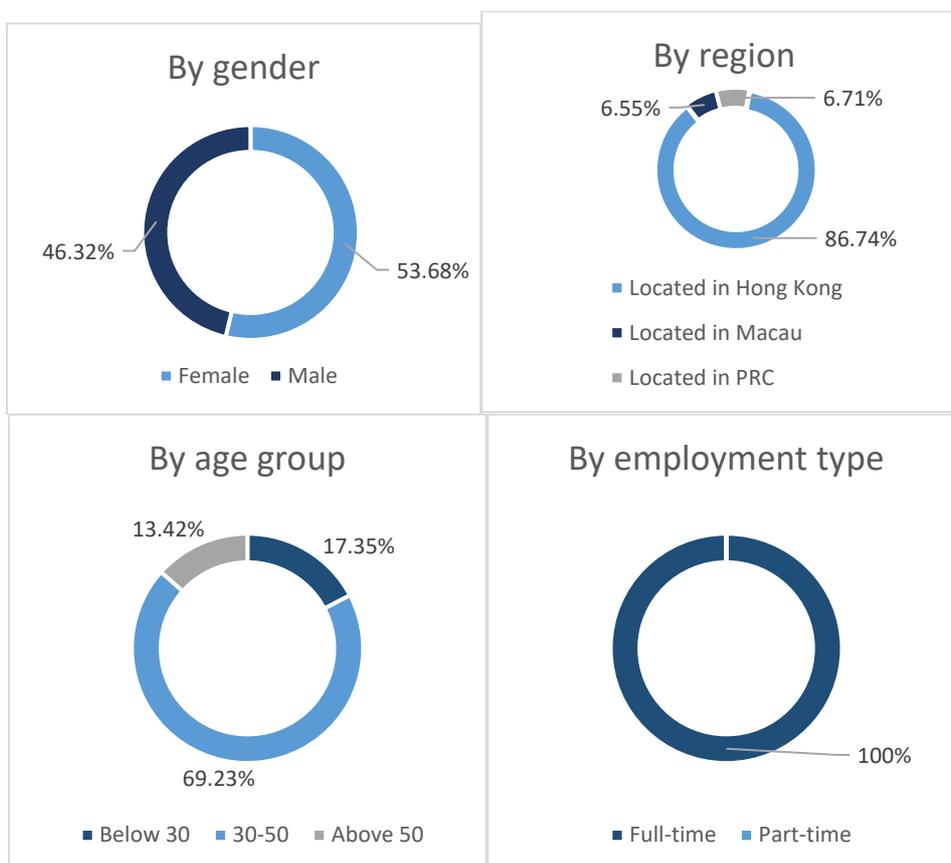
The Group shows zero tolerance towards all forms of child, illegal and forced labour practices. We pledge to strictly comply with all applicable laws and regulations in the respective jurisdictions, including the Employment of Children Regulations and other regulations under the Employment Ordinance of Hong Kong. All job candidates are required to provide valid personal identification documents during the recruitment process for verification purposes.

During the reporting period, we were not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group related to human rights.

### Our workforce

As at 31 December 2023, we have 611 employees in total. All of which are full time employees. 530 of which are located in Hong Kong, 40 in Macao and 41 in the PRC.

A breakdown by gender, geographical region, age group and employment type is shown below:



The overall turnover rate was 29.77% in 2023. A breakdown by gender, geographical region, and age group is provided in the table below:

**Breakdown of turnover rate**

Turnover by category	Employee turnover in 2023	Turnover rate in 2023 (%)
By gender		
Male	67	23.51%
Female	114	35.29%
By geographical region		
Hong Kong	166	31.50%
Macao	0	0.00%
PRC	15	36.14%
By age group		
Below 30	47	42.15%
30-50	112	26.57%
Above 50	22	29.33%

**Regulatory compliance**

During the reporting period, the Group adhered to the Employment Ordinance of Hong Kong and other relevant regulations in applicable jurisdictions. The Group was not aware of any material non-compliance that had a significant impact on the Group related to the prevention of child or forced labour.

**Employee Health and Safety**

The health and safety of our employees are top priorities of the Group, hence we are dedicated to providing a safe and healthy work environment to protect employees from occupational hazards. We strictly comply with relevant laws and regulations, including the Occupational Safety and Health Ordinance and the Fire Safety (Commercial Premises) Ordinance of Hong Kong. Although our employees are not typically exposed to high-risk activities, we still regularly conduct safety inspections to adhere to relevant regulations and maintain a safe office environment. Fire drill is conducted annually to raise safety awareness among our employees and minimise safety risks in offices.

Furthermore, the Group has promoted employees' wellbeing to foster a positive work environment, by providing medical insurance coverage, which covers items such as clinical visits, hospitalisation benefits, dental benefits, specialist visits, and health check-ups.

During the reporting period, we adhered to relevant laws and regulations and were not aware of any incidence of material non-compliance related to health and safety.

**Occupational Health and Safety Statistics in 2023**

Work-related fatality from FY2021 to FY2023: 0

Work-related injuries: 0

Lost days due to work-related injuries: 0

## Development and Training

The Group continues to invest in the development of our employees at every stage of their careers to promote their long term professional and personal growth. We implemented comprehensive training programmes for all employees based on their job levels. New hires were briefed on our high standard of core values and their responsibilities, as well as legal compliance, company product knowledge and sales techniques, and were subsequently introduced to their mentors. For management staff, we offered training on leadership to enhance their skills in discharging managerial responsibilities.

In 2023, the overall training for the Group is as follows:

<b>Percentage of trained employees by category</b>	
By gender	
Male	86.2%
Female	91.5%
By employment category	
Management	60.9%
Non-management	90.1%

<b>Average training hours</b>	
By gender	
Male	3.1 hours
Female	3.1 hours
By employment category	
Management	3.8 hours
Non-management	3.1 hours

To ensure that our agents comply with the regulatory requirements, we offer regular legal compliance online refresher training on various topics, including anti-money laundering, direct marketing, and data privacy. The compliance training is mandatory for agents to complete. Failure to comply may result in termination of their agency contract. We have also established an Internal Compliance Guide for Sales to PRC Clients outlining the compliant requirements for agents working on insurance sales to mainland clients.

Apart from the above-mentioned training, we encourage our employees at YF Life to join the Designation Programmes offered by the Life Office Management Association (LOMA), which offer programmes related to customer services, reinsurance and compliance, allowing our staff to learn about various facets of the insurance industry and equip our staff with the vital skills to stay abreast of the changing world. Furthermore, through providing course fee reimbursement and granting examination leaves, we motivate our employees to participate in self-improvement courses which are beneficial to their career development and can enhance their professional knowledge and skillsets.

Our culture actively supports and embraces the ongoing development of our employees by offering them a series of internal and external training opportunities in non-insurance business and compliance, encompassing a large variety of topics, including but not limited to team-building, FATCA<sup>2</sup> and CRS<sup>3</sup> updates, SFC<sup>4</sup> seminars with regulatory updates, financial reporting updates, anti-money laundering and counter financing of terrorism, cybersecurity, and data breaches, and refresher training on compliance matters.

To ensure that our employees stay informed of the latest industry developments, we regularly conduct reviews of our training materials and contents, to enhance the Group's business development and successive planning needs.

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<sup>2</sup> Foreign Account Tax Compliance Act

<sup>3</sup> Common Reporting Standard

<sup>4</sup> Securities and Futures Commission

## OPERATION PRACTICES

### **Product Responsibility**

We aim to attain service excellence by providing our customers with high-quality insurance products and other financial services. Both industries are highly regulated by governing bodies and regulators such as the Hong Kong Securities and Futures Commission (“SFC”), Hong Kong Insurance Authority, Hong Kong Mandatory Provident Fund Schemes Authority, and the Monetary Authority of Macao. We maintain strict compliance with relevant laws and regulations including sales practice, Know-your-client (“KYC”) checks, credit control, compliance, risk disclosure, information protection and data security, as well as trademarks and intellectual property. All employees are required to undergo compliance refresher training regularly to ensure that they can provide quality services to our customers.

During the reporting period, there was no incident of material non-compliance against relevant laws and regulations related to our products and services.

### ***Providing quality insurance products and services***

Our insurance products are designed to provide financial security and assist customers to manage unforeseen events and their lifelong planning. We strive to deliver high quality products to our customers and abide by all relevant laws and regulations. To keep updated with the evolving market, we collaborate with various institutions from time to time to conduct market research and ensure our products suit our customers’ needs.

Since agents are our bridge to the customers, they are all properly licensed in accordance with the rules promulgated by the Hong Kong Insurance Authority and the Monetary Authority of Macao and have satisfied all legal and internal standards of YF Life before being permitted to distribute YF Life insurance products. Besides strictly following the Hong Kong Insurance Authority’s Code of Conduct for Licensed Insurance Agents and industry’s best practices, our agents are also required to conduct business according to our Agent Handbook. We regularly communicate and educate our agents on our insurance products to guarantee the delivery of quality services and allow proper and accurate representations of product features to customers.

We also have an Internal Compliance Guide for Sales to PRC customers in place, serving as a guidance for our staff and agents to outline the “Dos and Don’ts” when dealing with PRC customers. The policy covers daily practices, from sales and mentoring to internal training and qualification requirements. Agents must strictly adhere to the internal qualification requirements with no exceptions.

The monitoring of our service quality also extends to the post-sales periods. We adhere to industry practices issued by the Hong Kong Insurance Authority, such as making audio-recorded calls to reaffirm clients’ understanding of the insurance policies purchased, including both investment-linked and life insurance products. In addition, we make use of third-party Mystery Shopper Programmes on an irregular basis to review and assess the selling practices of our agents.

### ***Providing quality financial products and services***

For our investment products, we have an investment committee chaired by the Chief Executive Officer of the Group, which oversees all investment decisions and the new financial products/services launching process. An internal approval process is adopted to govern the new product launching process and reduce relevant risks associated with new products. Launching new products requires approvals from all relevant middle and back-office functions to ensure that relevant market practices and regulations are met.

We are dedicated to communicating updated and complete information to our customers so that they can make informed decisions in relation to their wealth and investment opportunities. In order to ensure that individuals can understand the terms and conditions to make sound decisions based on accurate and reliable information, the communication materials are displayed in a clear, concise and transparent way. In addition, clients could raise their concerns in our chatbot which responds automatically to frequent queries, and if this does not satisfy their needs, they will be directed to our customer service representatives.

**Customer privacy and feedback**  
**Information security and business continuity**

The Group is committed to safeguarding clients' confidentiality. To properly manage information security-related risks, we have in place the group-wide Cybersecurity Policy and Information Security Policy of YF Life outline our rationale for data collection, processing and preservation following the principles of confidentiality, integrity and availability.

We strictly comply with the Personal Data (Privacy) Ordinance in Hong Kong. Disciplinary action shall be taken in the case of breaches of data protection obligations. Access permissions are kept to the minimum necessary to protect our clients' data and avoid information leakage from unauthorised or accidental access, and erasure. In addition, the basic principles on how to handle customer data are also laid down in our Corporate Compliance Guide. We ensure that personal data are collected in a lawful and fair manner, and only for providing services to clients, when necessary. Employees who fail to observe customer confidentiality are subject to internal disciplinary action. Internal disciplinary measures are instituted against employees who have failed to observe customer confidentiality.

In response to the growing cybersecurity threat, the Group continues to strengthen our cybersecurity protection. To protect information from enormous threats and minimise business risks, the Group has formulated comprehensive and systematic infrastructure security management strategies for preparing and responding to emergencies. We developed our infrastructure with regular backup features at managed data centres. In case of server breakdown, we can switch to the back-up server within a short period of time to ensure minimal disruption to our services. We also provide employees with cybersecurity training and updates on the latest cybersecurity risks to ensure that they are well-equipped to identify and respond to cyber threats.

**Customer Feedback**

We aim to achieve service excellence by thoroughly understanding the needs of customers and surpassing their expectations. We provide various channels and platforms, including customer service hotline and email, to collect timely customer feedback and suggestions. Our customer service representatives are trained to handle customer complaints in a professional, pragmatic and efficient way. In addition, we regularly seek inputs from our front-line business units to identify room for improvement and formulate corrective measures where practicable.

**Intellectual property protection**

We respect intellectual property rights and endeavour to protect the Group from reputational damages. The Group follows the legitimate intellectual property application procedures for our new trademark, labels, and product designs in all operations. In addition, all software used in our daily operations is with a legal license.

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

## Anti-corruption

The Group has zero tolerance towards any forms of bribery, extortion, fraud or money laundering in our operation. In order to meet and maintain the highest standards of integrity, our Corporate Compliance Guide provides guidelines for each employee on our expectations of ethical behaviour on them. To prevent and combat corruption, business practices and controls are assessed at both the Group-level and business unit level. For example, all new joiners are provided with internal guidelines regarding their professional obligations upon joining the Group.

The Group complies fully with applicable laws and regulations related to anti-money laundering (“AML”) and Counter-Financing of Terrorism (“CFT”) to prevent the use of our products and services for money laundering and terrorist financing purposes. For our insurance business, a policy is established with reference to the Hong Kong Insurance Authority’s Guideline on Anti-Money Laundering and Counter-Terrorist Financing. In this policy, a clear and comprehensive mechanism for reporting on money laundering-related matters has been implemented. From time to time, the policy is updated to keep pace with the most recent legal requirements, and all employees should follow. Any report made with sufficient supporting evidence will be promptly investigated and appropriate actions will be taken to handle the situation.

Our other financial services and entities regulated by the SFC under the Company are governed by our AML & KYC Policy and are based on the following fundamental principles:

- Exercising due diligence when dealing with customers, natural persons appointed to act on the customers’ behalf, connected parties of the customers and beneficial owners of the customers;
- Ensuring that all business activities adhere to the Group’s ethical standards and avoid establishing any business relations or undertaking transactions that are connected to, or could potentially facilitate money laundering or terrorism financing;
- Assisting and cooperating with relevant law enforcement authorities to prevent money laundering and terrorism financing; and
- Providing annual training to all relevant employees to ensure that they are aware of their responsibilities and the protocols they need to adhere to.

The Group has established a Whistle-blowing Policy and a Speak-up Policy for employees. Employees can report any suspected non-compliance or misconduct anonymously, allowing whistle-blowers to uphold the Group’s ethical standards without concerns of being retaliated.

We take initiatives to enhance employees’ awareness and their understanding of business ethics. The Group carried out training on corruption and bribery prevention during the reporting period. For example, employees of the Company participated in the annual refresher training and updates on important compliance guidelines. To enhance corporate management, we standardise our expenditures through the Regulations on Financial Expenditure Management by clearly documenting the specific approval requirements for types and amounts of expenditures based on their nature.

During the reporting period, there was no reported non-compliance related to corruption or money laundering.

### **Supply chain and counterparties management**

At YF Life, we are committed to upholding high standard of quality and social responsibility when dealing with suppliers. The Group works with a range of suppliers to support our operations, including information technology. By taking a prudent approach, we assess and select our suppliers based on their capability, pricing, certifications, availability of local support, and the potential benefits of leveraging additional services.

For our other financial services, efficient counterparty and transaction due diligence processes are essential to build lasting partnerships with our valued business partners. We promote an ownership system where service/business users within the Company are responsible for selecting their counterparties and engaging in transactions. The users are responsible for gathering sufficient information and using an appropriate mechanism to address different business, financial, legal, and compliance-related concerns raised by relevant internal functions. Once all concerns are resolved and cleared by the relevant internal functions governed by the internal new business approval process, the proposed transactions are then recommended to senior management for final approval and execution. Significant concerns and issues identified will be escalated to senior management and the Risk Oversight Committee for thorough review and discussion to determine the appropriate course of action to be taken.

As part of the implementation of the Counterparty Management Policy, our risk management, finance, legal and compliance teams review the transaction terms and related documents and determine the necessity and level of additional due diligence required for counterparties, taking into consideration counterparty risk and the corresponding extent of on-boarding procedures needed. We have laid down the activities and types of counterparties that the Company does not associate with, such as those where there is proof of child or forced labour and certain transactions which involve market misconduct, mis-selling, or those with negative publicity. To maintain service quality, we continue to monitor all existing counterparties' market reputation and business practices.

To engage the most suitable service providers, the Group has developed a comprehensive set of tendering and quotation procedures with tailored selection criteria in areas such as product/service quality, internal control and risk management of various operational risks, including credit, reputational and concentration risks.

The Group has extended responsibilities and standards to our suppliers in relation to environmental protection and social compliance. We prioritise working with environmentally and socially responsible suppliers, in which fair and equal employment practices are expected. Meanwhile, the Group has zero tolerance towards unethical treatment, illegal labour practices, and any form of discrimination. Regular performance monitoring and evaluation are carried out to assess and evaluate the performance of our suppliers and identify risks that may impact the Group.

Project management and quality control teams are established to maximise automation and segregation of duties for the internally developed service provision processes. These teams liaise with different areas of operations, including the development of product initiatives, financial infrastructure, and applications, through the creation of a procedural manual and conducting regular progress meetings. The teams ensure quality services and products as per the standard set by senior management.

During the reporting period, the Group engaged with 98 suppliers, 3% of which are based in the PRC, 85% of which are based in Hong Kong, 9% of which are based in Macau and 3% of which are based overseas.

## ENVIRONMENT & COMMUNITY

### Environment

#### *Use of resources*

We carry out our operations with a profound recognition and respect for nature as we believe that every decision we make, and the choice enacted, can influence the future of the planet. We are dedicated to minimising environmental impacts from our operations, and proactively address climate-related risks. To achieve this, we prioritise the adoption of energy-saving practices and technologies.

The network units consume the most energy among the equipment used in the office environment of the main subsidiary. The 24x7 cooling system with an open-rack design helps to control the energy efficiency in the office's network room. In the rented data centers, there is a 24x7 cooling technology system with airflow optimisation and an open-rack design for reducing energy consumption.

To embrace a green office culture, we adhere to the principles of reduce, recycle and reuse to maintain resource efficiency in our daily operations, further minimising our already low impact on the planet. Green practices adopted to enhance energy efficiency, reduce water consumption and manage paper usage are as follows:

- Switching off idle lighting, air conditioning and electrical appliances to reduce energy consumption;
- Encouraging double-sided printing and using recycled paper for printing and copying;
- Encouraging the use of recycled envelopes for internal courier service;
- Encouraging staff to prioritise the use of email and electronic communications; and
- Setting up recycling bins in office areas.

YF Life has joined the Energy Efficiency of Lighting Installations under the Buildings Energy Efficiency Ordinance that requires professional engineers to calculate the energy consumption and guide the E&M contractors to follow the regulatory requirements. LED lights are preferred to fluorescent lights to reduce electricity consumption in new office renovations.

Transitioning to a paperless operation has been an ongoing priority for the Group. This not only reduces our reliance on traditional paperwork, but also enables us to pursue opportunities for efficiency and flexibility. YF Life has also been progressively digitalising its business operations. FinTech mobile applications including online applications, electronic policy issues, online payment, e-Policy Services and claimants have been further enhanced. In the coming years, it will continue enhancing those applications to enrich the functionalities and improve customer experiences, as well as reduce our environmental impact while improving efficiency in operations.

Details of electricity, gasoline, water and paper consumption from our operations are summarised in the table below:

**Summary of resources consumption**

Use of resources	Unit	2022	2023
Total energy consumption <sup>5</sup>	(kWh in '000s)	2,546	2,405
— Electricity	kWh	2,546,489	2,348,549
— Gasoline	litre	0 <sup>6</sup>	5,805 <sup>7</sup>
Water <sup>8</sup>	m <sup>3</sup>	620 <sup>9</sup>	635
Paper (A3)	Sheets	77,841	37,552 <sup>10</sup>
Paper (A4)	Sheets	7,827,625	8,081,139

**Emissions**

Due to the nature of our business operations, we do not produce significant direct environmental emissions such as air emissions, discharges to water and land, and the generation of hazardous and non-hazardous wastes. As a result, we do not consider such emissions to be material. However, we are aware of the carbon emissions mainly caused by our electricity consumption and strive to minimise energy consumption in our offices, servers, and data centres.

YF Life is also taking measures in the renovation work of new offices so that air emissions can be greatly reduced. For example, its contractor uses eco-friendly materials such as Zero Formaldehyde Emission (E0 standard) composite boards and Ecological (ECO) glues for all the wallpapers and carpets.

During the reporting period, there was no material non-compliance regarding the reported environmental emissions.

<sup>5</sup> Energy conversion factors are referenced from the United Kingdom Department for Environment, Food & Rural Affairs (DEFRA) conversion factors 2021.

<sup>6</sup> There is no gasoline consumption in 2022.

<sup>7</sup> Gasoline consumption in 2023 is due to new car purchases by YF Life during the reporting period.

<sup>8</sup> Since the water consumption of some offices was managed by the buildings' property management, we cannot obtain the actual water consumption data. Hence the reported water consumption excluded these offices, which include the Company's Hong Kong office, nine YF Life Hong Kong offices and one YF Life Macao office.

<sup>9</sup> The water consumption in 2022 is restated to align with the scope in 2023.

<sup>10</sup> Paper consumption reduction in 2023 is due to the Paperless Campaign initiated by YF Life during the reporting period.

### ***The environmental and natural resources***

The Group has been committed to protecting the environment by incorporating ESG considerations into business. At YF Life, Barings LLC is appointed to be the investment manager of the fixed-income assets portfolio, who is a signatory of the United Nation's Principle of Responsible Investment and has incorporated ESG factors into its rigorous investment analysis process. Such integration of ESG factors into the investment process provides better insights into the long-term risks and opportunities and enhances the stability of our portfolio.

We seek partnerships with top-tier fund managers for our wealth management services, who have integrated fundamental ESG considerations into their investment decisions. We select mutual fund partners by laying strong emphasis on new industries and avoiding investment in industries with negative ESG impacts. As part of our due diligence procedures, we also conduct news screening on funds to gain a better understanding of their ESG performance. Any adverse media identified, including those related to ESG, may result in further investigation or clarification with the fund managers, depending on the nature of the issue.

The Group recognises the importance of integrating ESG factors into the decision-making of our investment strategies and financial services. While we have yet formulated specific policies or guidelines, we are actively considering the incorporation of ESG factors across our investment strategies and the range of financial services we offer.

### ***Climate change***

Climate change is undoubtedly one of the greatest challenges faced by the world today. We therefore must be capable of dealing with such risks to mitigate impacts to our business.

On the one hand, physical climate risks brought by extreme weather events can be far-reaching and affect the quality of life of our communities, which will lead to significant disruptions to our businesses and adversely impact our economic output, assets and properties in the long run. On the other hand, transition risks pose a significant near-term threat to our operation. While transitioning to a low-carbon economy, assets of carbon-intensive companies may deteriorate, affecting portfolio returns. Extreme weather also changes the market needs for insurance products and services, creating a strategic risk to overall business viability. In response to the risks and challenges brought by climate change, the Group introduced various initiatives to manage our environmental footprint. For details, please refer to the "Use of resources" section in this report.

### **Community Investment**

We leverage our influence and resources to build greater resilience and more sustainable livelihoods. The Group actively collaborates with charitable organisations that share our vision through engaging in meaningful initiatives and investing to the fullest extent possible in these organisations.

### **YF Life Jr. Space Camp Programme**

YF Life Insurance International Ltd. has introduced the pioneering “YF Life Jr. Space Camp Programme” since 1999. This programme offers simulated astronaut training to children from Hong Kong and Macao, enabling them to fulfill their space-related aspirations. To date, over 150 children have realised their space dreams through this initiative. The programme employs an all-rounded, innovative, and unique training approach to ignite and cultivate children's curiosity in space exploration and advanced aerospace technology. Furthermore, it fosters stronger parent-child relationships through a series of collaborative activities designed specifically for parents and children. The programme's slogan, “It is Possible!” encourages children to overcome difficulties and pursue their dreams with courage and perseverance.

With the ease of COVID-19 control measures, the YF Life Jr. Space Camp Programme made a comeback during the reporting period, offering an exciting opportunity for young participants. Following a comprehensive selection process, a group of exceptional candidates was chosen to attend an intensive training camp and compete for a chance to become YF Life Jr. Astronauts. The selected individuals were then provided with the opportunity to embark on the “9-Day U.S. Space-Exploration Journey” in July 2023, which included simulated astronaut training at the U.S. Space Camp in Huntsville, Alabama, and a visit to the Kennedy Space Centre in Florida.

### **Participation and sponsorships in social and environmental events**

During the reporting period, the Group continued committing to corporate social responsibility by engaging in various initiatives. YF Life sponsored the Lai See Reuse and Recycle Programme, which aimed to promote recycling and waste reduction practices within the community. To further inspire individuals to act towards a more sustainable future, we also supported Earth Hour 2023 in March by switching off the rooftop LED sign at The ONE in Tsim Sha Tsui.

We also actively participated in charitable events organised by non-governmental organisations. Through monetary donations to support relief efforts for the earthquake in Turkey and active participation in events such as Skip Lunch Day, Dress Casual Day and Love Teeth Day 2023 supported by The Community Chest, we seek to address pressing social issues and improve the well-being of individuals and communities in need.

The Group also has a strong commitment to promoting education as a key driver of societal progress. In November 2023, the Group established the “YF Life Scholarship in Actuarial Science and Risk Management” at The University of Hong Kong, supporting and encouraging students to pursue studies in and nurture talents for the insurance industry.

Throughout the reporting period, the Group remains dedicated to promoting environmental protection, community well-being, and education. Building on these efforts, we are determined to forge ahead and continue inspiring positive change, fostering sustainable practices, and contributing to the betterment of society.

## APPENDIX: HKEX ESG REPORTING GUIDE INDEX

	Aspects	Section	Remarks
<b>A</b>	<b>Environmental</b>		
<b>A1</b>	<b>Emissions</b>		
General Disclosure	a) Policies and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment	
A1.1	The types of emissions and respective emission data	-	Due to our business nature, no significant amount of air emission was generated.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-	Greenhouse gas emissions are not identified as material to the Group. We will continue to observe any regulatory changes to review our disclosure in the future.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-	Due to our business nature, no significant amount of hazardous waste was generated.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-	Non-hazardous wastes are not identified as material to the Group and no data was tracked.
A1.5	Description of emission target(s) set and steps taken to achieve them	Environment	Emissions and wastes are not considered to be the most material issues comparatively given the Group's business nature. While we put effort to
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to	-	

	Aspects	Section	Remarks
	achieve them		reduce our negative environmental impact, currently, specific targets with respect to these aspects are not defined.
<b>A2</b>	<b>Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Environment	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in "000s) and intensity (e.g. per unit of production volume, per facility).	Environment	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Environment	The Group is reviewing its operations and environmental performance in considering target setting on energy and water consumption.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Environment	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment	Due to our business nature, no significant amount of packaging material was used.
<b>A3</b>	<b>The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment	The Group's businesses are mainly conducted in offices and hence there is insignificant impact on the environment and natural resources.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environment	
<b>A4</b>	<b>Climate Change</b>		
General	Policies on identification and	Environment	

	Aspects	Section	Remarks
Disclosure	mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment	
<b>B</b>	<b>Social</b>		
<b>B1</b>	<b>Employment</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment	
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment	
<b>B2</b>	<b>Health and Safety</b>		
General Disclosure	(a) Policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee health and safety	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee health and safety	
B2.2	Lost days due to work injury.	Employee health	

	Aspects	Section	Remarks
		and safety	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee health and safety	
<b>B3</b>	<b>Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training	
B3.2	The average training hours completed per employee by gender and employee category.	Development and training	
<b>B4</b>	<b>Labour Standards</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment	
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment	
<b>B5</b>	<b>Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain and counterparties management	
B5.1	Number of suppliers by geographical region.	Supply chain and counterparties management	
B5.2	Description of practices relating to engaging suppliers, number of	Supply chain and counterparties	

	Aspects	Section	Remarks
	suppliers where the practices are being implemented, how they are implemented and monitored.	management	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain and counterparties management	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain and counterparties management	
<b>B6</b>	<b>Product Responsibility</b>		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product responsibility	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	-	Not applicable to the Group's businesses.
B6.2	Number of products and service-related complaints received and how they are dealt with.	-	The Group is currently assessing the feasibility of collecting and disclosing such information.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property protection	
B6.4	Description of quality assurance process and recall procedures.	-	Not applicable to the Group's businesses.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer privacy and feedback	
<b>B7</b>	<b>Anti-corruption</b>		

	Aspects	Section	Remarks
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Anti-corruption	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	
<b>B8</b>	<b>Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	

## Consolidated statement of profit or loss for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 (restated) HK\$'000
Insurance revenue	6	2,625,385	2,446,566
Insurance service expenses	10	(2,054,008)	(2,000,819)
Net expenses from reinsurance contracts		(26,257)	(5,337)
<b>Insurance service result</b>		545,120	440,410
Interest revenue calculated using the effective interest method	7	2,803,589	2,348,294
Other investment revenue/(loss)	7	499,248	(2,311,435)
Net impairment loss on financial assets	7	(123,011)	(356,385)
<b>Investment return</b>		3,179,826	(319,526)
Net finance expenses from insurance contracts	7	(2,293,667)	(199,886)
Net finance income from reinsurance contracts	7	85,044	125,713
Movement in investment contract liabilities	7	(218,380)	(192,649)
Movement in third party interests in consolidated funds	7	7,879	1,172
Net financial result		760,702	(585,176)
Revenue from investment management services	8	51,411	67,091
Other income	9	73,516	55,291
Other operating expenses	10	(392,557)	(423,908)
Other finance costs	11	(202,126)	(162,484)
Share of loss of equity-accounted investees, net of tax		(10,810)	(7,954)
<b>Profit/(loss) before tax</b>		825,256	(616,730)
Income tax expense	12(a)	(112,349)	(47,607)
<b>Profit/(loss) for the year</b>		712,907	(664,337)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		397,164	(642,735)
Non-controlling interests		315,743	(21,602)
		712,907	(664,337)
<b>Earnings/(loss) per share attributable to equity shareholder of the Company</b>			
Basic (HK\$)	15(a)	0.10	(0.17)
Diluted (HK\$)	15(b)	0.10	(0.17)

The notes form part of these financial statements.

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023	2022 (restated)
		HK\$'000	HK\$'000
<b>Profit/(loss) for the year after taxation</b>		712,907	(664,337)
<b>Other comprehensive income for the year</b>			
Item that will not be reclassified subsequently to profit or loss:			
Equity investment at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		11,157	(36,611)
Related income tax	12(b)	(91)	91
Items that may be reclassified subsequently to profit or loss:			
Net movement in the fair value reserve during the year recognised in other comprehensive income	17	1,268,564	(6,166,927)
Net movement in hedge reserve during the year recognised in other comprehensive income		35,431	-
Exchange differences arising on translation of results of foreign operations		(54,222)	55,969
Net finance (expenses)/income from insurance contracts	7	(2,042,939)	5,954,541
Net finance income from reinsurance contracts	7	111,235	55,922
Net deferred tax impact recognised in other comprehensive income	12(b)	102,904	(50,814)
<b>Total comprehensive income for the year</b>		144,946	(852,166)
<b>Total comprehensive income for the year attributable to:</b>			
Equity shareholders of the Company		(2,434)	(778,188)
Non-controlling interests		147,380	(73,978)
		144,946	(852,166)

The notes form part of these financial statements.

## Consolidated statement of financial position at 31 December 2023 (Expressed in Hong Kong dollars)

	Note	At 31 December 2023 HK\$'000	At 31 December 2022 (restated) HK\$'000	At 1 January 2022 (restated) HK\$'000
<b>Assets</b>				
Property and equipment	18	632,460	674,271	711,787
Statutory deposits	19	4,193	5,142	4,579
Deferred tax asset	31(b)	70,910	42,245	45
Tax recoverable	31(a)	45	3,262	579
Investments in associates	20	121,500	132,012	148,819
Goodwill and intangible assets	22	1,923,737	1,909,213	1,910,204
Other contract asset	28	123,249	109,530	93,566
Investments	23	74,126,597	66,754,778	68,145,212
Reinsurance contract assets	27	6,517,666	6,432,170	4,556,636
Other accounts receivable and accrued income	24	113,160	119,799	79,531
Other receivables, deposits and prepayments	25	987,716	904,479	825,841
Bank balance - trust and segregated accounts	26	295,166	509,499	779,732
Fixed bank deposits with original maturity over 3 months	26	1,259,134	1,624,973	1,060,574
Cash and cash equivalents	26	3,973,788	2,547,901	4,024,475
		<u>90,149,321</u>	<u>81,769,274</u>	<u>82,341,580</u>

## Consolidated statement of financial position (continued) at 31 December 2023 (Expressed in Hong Kong dollars)

		At 31 December 2023	At 31 December 2022 (restated)	At 1 January 2022 (restated)
	Note	HK\$'000	HK\$'000	HK\$'000
<b>Liabilities</b>				
Other accounts payable	29	385,563	609,464	844,088
Other payables and accrued expense	30	891,614	1,020,501	620,970
Financial liabilities at fair value through profit or loss	32	518,364	353,870	514,238
Tax payable	31(a)	67,545	5,640	11,632
Insurance contract liabilities	27	63,577,444	55,054,209	54,855,876
Investment contract liabilities	28	4,774,847	4,847,581	4,817,994
Lease liabilities	33	212,240	233,066	279,608
Deferred tax liabilities	31(b)	276,079	349,002	260,457
Bank borrowings	34	1,399,479	1,393,166	1,381,776
Shareholder's loan	35	1,641,077	1,641,077	1,641,077
		<u>73,744,252</u>	<u>65,507,576</u>	<u>65,227,716</u>
<b>NET ASSETS</b>		<u>16,405,069</u>	<u>16,261,698</u>	<u>17,113,864</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	36	11,872,683	11,872,683	11,872,683
Reserves		(869,362)	(865,353)	(87,165)
		<u>11,003,321</u>	<u>11,007,330</u>	<u>11,785,518</u>
Non-controlling interests		5,401,748	5,254,368	5,328,346
<b>TOTAL EQUITY</b>		<u>16,405,069</u>	<u>16,261,698</u>	<u>17,113,864</u>

The notes form part of these financial statements.

Consolidated statement of changes in equity  
for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Shares held by share award scheme HK\$'000	Share-based payment reserve HK\$'000	Asset revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Statutory and capital reserve HK\$'000	Insurance finance reserve	Reinsurance finance reserve	Retained earnings/ (Accumulated loss) HK\$'000			Sub-total HK\$'000
<b>Balance at 1 January 2022 (as previously reported)</b>	11,872,683	(83,230)	1,575	1,538	936,073	-	-	(701)	68,034	-	-	927,885	13,723,857	6,166,998	19,890,855
Impact on initial application of HKFRS 17 and related redesignation of financial assets	-	-	-	-	362,271	(37,494)	-	-	-	-	-	(2,263,116)	(1,938,339)	(838,652)	(2,776,991)
<b>Balance at 1 January 2022 (restated)</b>	11,872,683	(83,230)	1,575	1,538	1,298,344	(37,494)	-	(701)	68,034	-	-	(1,335,231)	11,785,518	5,328,346	17,113,864
<b>Changes in equity for the year ended 31 December 2022 (restated):</b>															
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(642,735)	(642,735)	(21,602)	(664,337)
Other comprehensive income for the year	-	-	-	-	(4,280,406)	(25,490)	-	34,271	-	4,070,440	65,732	-	(135,453)	(52,376)	(187,829)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	40,751	-	-	-	-	-	(40,751)	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	-	(373)	-	-	373	-	-	-
<b>Balance at 31 December 2022 and 1 January 2023 (restated)</b>	11,872,683	(83,230)	1,575	1,538	(2,982,062)	(22,233)	-	33,570	67,661	4,070,440	65,732	(2,018,344)	11,007,330	5,254,368	16,261,698
<b>Changes in equity for the year ended 31 December 2023:</b>															
Equity settled share-based transactions	-	-	(1,575)	-	-	-	-	-	-	-	-	-	(1,575)	-	(1,575)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	397,164	397,164	315,743	712,907
Other comprehensive income for the year	-	-	-	-	941,683	7,723	24,731	(39,501)	-	(1,402,171)	67,937	-	(399,598)	(168,363)	(567,961)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	14,510	-	-	-	-	-	(14,510)	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>	11,872,683	(83,230)	-	1,538	(2,040,379)	-	24,731	(5,931)	67,661	2,668,269	133,669	(1,635,690)	11,003,321	5,401,748	16,405,069

The notes form part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023	2022 (restated)
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		825,256	(616,730)
Adjustments for:			
- Financial investments		(6,146,145)	(5,074,632)
- Insurance and reinsurance contracts		6,431,302	4,317,113
- Investment contracts		(30,885)	25,963
- Statutory deposits		949	(312)
- Other contract asset		(13,689)	(15,817)
- Other accounts receivable and payable		(217,262)	(274,891)
- Bank balances – trust and segregated accounts		214,333	270,232
- Other receivables and payables		(286,886)	165,842
- Deemed gain on partial disposal of interests in associate		(9,845)	(750)
- Loss on disposal of property and equipment		2,765	6,674
- Depreciation and amortisation		188,973	208,674
- Equity-settled share-based payment transactions		(1,575)	-
- Interest credited to policyholders' deposits		179,054	144,713
- Share of loss of equity-accounted investees, net of tax		10,810	7,954
- Finance costs		202,126	162,484
- Other non-cash operating items, including investment income and the effect of exchange rates on certain operating items		(137,167)	(40,642)

## Consolidated statement of cash flows (continued) for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	<i>Note</i>	2023	2022
		HK\$'000	(restated) HK\$'000
<b>Other operating items:</b>			
Interest received		146,335	37,322
Dividend received		268,603	301,634
Interest paid		(12,205)	(10,737)
Income taxes paid		(45,993)	(60,664)
<b>Net cash from/(used in) operating activities</b>		<b>1,568,854</b>	<b>(446,570)</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property and equipment		(41,582)	(86,522)
Proceeds from disposal of property and equipment		13	384
Payment for purchase of intangible assets		(15,088)	-
Fixed bank deposits placed with original maturity over 3 months		365,975	(562,862)
<b>Net cash from/(used in) investing activities</b>		<b>309,318</b>	<b>(649,000)</b>

## Consolidated statement of cash flows (continued) for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 (restated) HK\$'000
<b>Cash flows from financing activities</b>			
Payment made for interest component of lease liabilities		(6,800)	(7,250)
Payment made for capital component of lease liabilities		(128,472)	(137,106)
Payment for redemption of preference shares by a subsidiary		(3,436)	(87,917)
Policyholders' account deposits related to investment contracts		183,421	234,216
Policyholders' account withdrawals related to investment contracts		(403,908)	(334,628)
Interest paid		(92,257)	(49,412)
		(451,452)	(382,097)
<b>Net cash used in financing activities</b>			
		(451,452)	(382,097)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,426,720	(1,477,667)
<b>Cash and cash equivalents at 1 January</b>		2,547,901	4,024,475
Effect of foreign exchange rates changes		(833)	1,093
		3,973,788	2,547,901
<b>Cash and cash equivalents at 31 December</b>		3,973,788	2,547,901

The notes form part of these financial statements.

# Notes to the financial statements

(Expressed in Hong Kong dollars)

## 1 General information

Yunfeng Financial Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Rooms 1803-1806, 18th Floor, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong.

The principal activities of the Group are long term assurance business, the provision of securities brokerage, consultancy and advisory services and investment research, wealth management, employee stock ownership plan administration and principal investment. The principal activities and other particulars of its principal subsidiaries are set out in Note 21 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

## 2 Material accounting policies

### (a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial information.

## **2 Material accounting policies (Continued)**

### **(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries including the consolidated structured entities (together referred to as “the Group”) and the Group’s interests in associates and joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in certain debt and equity securities and derivative financial instruments are stated at their fair value, and insurance and reinsurance contracts are measured at fulfilment cash flows, and if any, the contractual service margin (“CSM”), as explained in the accounting policies set out below or note 27(e).

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 the 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

### **(c) Subsidiaries and non-controlling interests**

Subsidiaries are entities 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## 2 Material accounting policies (Continued)

### (c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(s)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The Group serves as the manager of funds. The funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such funds, with control determined based on an analysis of the guidance in HKFRS 10 *Consolidated Financial Statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units or return of capital in such funds for cash. These are presented as "Third-party interests in consolidated funds" within financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

## 2 Material accounting policies (Continued)

### (d) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(s)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (e) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

When an investment in a joint venture is held by, or is held indirectly through, a group entity that is a venture capital organisation and similar entities, the Group may elect to measure investments in those joint ventures at fair value through profit or loss in accordance with HKFRS 9 *Financial Instruments*.

## 2 Material accounting policies (Continued)

### (f) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(s)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

## 2 Material accounting policies (Continued)

### (g) Insurance, reinsurance and investment 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.

Some contracts entered into by the Group have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts' (see note 2(i)).

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

### (h) 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.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (i) Separating components from insurance and reinsurance contracts (Continued)

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.

#### (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 semi-annual cohorts and each semi-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 semi-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.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (ii) Aggregation and recognition of insurance and reinsurance contracts (Continued)

##### Insurance contracts (Continued)

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.

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 (see 'Reinsurance of onerous underlying insurance contracts' under (v)).
- *Reinsurance contracts acquired:* The date of acquisition.

#### (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, then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to certain term assurance and critical illness contracts that are renewable and coverage period for each term is more than one year. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Group expects to recover those cash flows.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (iii) Insurance acquisition cash flows (Continued)

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.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than HKFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

#### **Recoverability assessment**

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

- a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (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 lapse and expense risks.

#### **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.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (v) Measurement – Contracts not measured under the PAA

##### **Insurance contracts – Initial measurement**

On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under note 2(h)(iii)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

##### **Insurance contracts – Subsequent measurement**

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

## 2 Material accounting policies *(Continued)*

### **(h) Insurance and reinsurance contracts *(Continued)***

#### **(v) Measurement – Contracts not measured under the PAA *(Continued)***

#### **Insurance contracts – Subsequent measurement *(Continued)***

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

<b>Changes relating to future services</b>	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
<b>Changes relating to current or past services</b>	Recognised in the insurance service result in profit or loss
<b>Effects of the time value of money, financial risk and changes therein on estimated future cash flows</b>	Recognised as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows.

#### *Insurance contracts without direct participation features*

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the period.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (v) Measurement – Contracts not measured under the PAA (Continued)

##### Insurance contracts – Subsequent measurement (Continued)

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period;
- differences between any loan to a policyholder expected to become repayable in the period and the actual amount that becomes repayable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

##### *Direct participating contracts*

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (v) Measurement – Contracts not measured under the PAA (Continued)

##### Insurance contracts – Subsequent measurement (Continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the period.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

##### Reinsurance contracts

To measure a group of reinsurance contracts, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (v) Measurement – Contracts not measured under the PAA (Continued)

##### Reinsurance contracts (Continued)

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date (see 'Reinsurance of onerous underlying insurance contracts' below). However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Group recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component (see 'Net expenses from reinsurance contracts' under (viii)) to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the period.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (v) Measurement – Contracts not measured under the PAA (Continued)

##### Reinsurance contracts (Continued)

###### *Reinsurance of onerous underlying insurance contracts*

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

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

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid (see 'Net expenses from reinsurance contracts' under note 2(h)(viii)).

#### (vi) Measurement – Contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts when the coverage period of each contract in the group is one year or less for insurance and reinsurance contracts.

##### 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 minus any insurance acquisition cash flows allocated to the group at that date. The Group has chosen to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the Group at initial recognition is no more than one year.

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 note 2(h)(viii)). 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.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (vi) Measurement – Contracts measured under the PAA (Continued)

##### Insurance contracts (Continued)

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 discounted (at current rates) if the liability for incurred claims is also discounted (see below).

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 discounted (at current rates) unless 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 (see 'Reinsurance of onerous underlying insurance contracts' under note 2(h)(v)) 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 instead of adjusting the CSM.

#### (vii) 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.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (vii) Derecognition and contract modification (Continued)

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see note 2(h)(viii)).

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

#### (viii) 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 (including any assets for insurance acquisition cash flows under note 2(h)(iii)) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the consolidated statement of profit or loss and other comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or 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.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (viii) Presentation (Continued)

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

#### **Insurance revenue – Contracts not measured under the PAA**

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided (see ‘Release of the CSM’ below).
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services.

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on coverage units. The Group recognises the allocated amount, as insurance revenue and an equal amount as insurance service expenses.

#### *Release of the CSM*

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the period (before any allocation) equally to each coverage unit provided in the period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the period. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (viii) Presentation (Continued)

##### **Insurance revenue – Contracts not measured under the PAA (Continued)**

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. Other contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

##### **Insurance revenue – Contracts measured under the PAA**

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 based on the passage of time.

##### **Loss components**

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

The systematic allocation follows the approach of CSM amortisation, (i.e. mirroring approach), where the loss component is released based on coverage unit.

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

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (viii) Presentation (Continued)

##### Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group recognises any insurance acquisition cash flows as expenses when it incurs those costs.
- Losses on onerous contracts and reversals of such losses.
- 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.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

##### 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. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (viii) Presentation (Continued)

##### **Net expenses from reinsurance contracts (Continued)**

For a group of reinsurance contracts covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

##### **Insurance finance income and expenses**

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses (see 'Measurement – Contracts not measured under the PAA' under note 2(h)(v)). They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For contracts without direct participation features that are not measured under PAA, the Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the following rates:

- the discount rates determined on initial recognition of the group of contracts; or
- for insurance finance income or expenses arising from the estimates of future cash flows, a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield or based on the amounts credited in the period and expected to be credited in future periods (i.e. the projected crediting rate)); and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts.

## 2 Material accounting policies (Continued)

### (h) Insurance and reinsurance contracts (Continued)

#### (viii) Presentation (Continued)

#### **Insurance finance income and expenses (Continued)**

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Group derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss as a reclassification adjustment.

For direct participating contracts, the Group presents insurance finance income or expenses in profit or loss.

#### (i) Investment contracts

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts. Contributions received from policyholders are not recognised in profit or loss but are accounted for as deposits in the statement of financial position.

The Group recognises a financial liability, representing its contractual obligation to pass on the return on the underlying investments after the deduction of investment management fees, when the Group becomes a party to the contractual provisions. It derecognises the financial liability when the obligations specified in the contract expire or are discharged or cancelled. Amounts collected and paid that are attributable to the financial instrument component are adjusted against the financial liability.

Financial liabilities arising from investment contracts and third party interests in consolidated funds are designated as at fair value through profit or loss ("FVTPL") on initial recognition. This is because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis. The fair value is the amount payable on demand because the holders can cancel their contracts at any time after contract inception.

Amounts under investment management service contracts assessed against policyholders' account balances that represent compensation to the Group for services to be provided in future periods are not recognised in the period assessed. These amounts are reported as unearned revenue liability and are recognised as revenue over the period for which a policyholder is expected to continue receiving investment management services.

Incremental contract costs including incremental direct costs of contracts acquisition are recognised as assets, unless the Group does not expect to recover these costs. Contract costs are amortised over the coverage period, using the same assumptions and factors utilised to amortise unearned revenue liability and are reviewed for impairment regularly. They are included in 'other contract assets' in the statement of financial position and the amortisation and any impairment losses thereon are included in 'other operating expenses' in profit or loss.

## 2 Material accounting policies (Continued)

### (j) Investments

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 4. These investments are subsequently accounted for as follows, depending on their classification.

#### *Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost ("AC"), if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI") on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (see Note 2(w)(iii)).
- fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment are SPPI and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as investment return in accordance with the policy set out in Note 2(w)(ii).

## **2 Material accounting policies (Continued)**

### **(k) Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

### **(l) Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve within equity. The effective portion that is recognised in other comprehensive income is limited to the accumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through other comprehensive income ("OCI") to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs. This amount is reclassified to profit or loss when the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the entire amount is reclassified immediately to profit or loss.

If the hedged future cash flows is no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through OCI to profit or loss.

### **(m) Accounts payable, other payables and other liabilities**

Accounts payable, other payables and other liabilities 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) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

## 2 Material accounting policies (Continued)

### (o) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) those designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading or contingent consideration may be paid by an acquirer as part of a business combination, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in Note 4.

## 2 Material accounting policies (Continued)

### (p) Property and equipment

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(s)(ii)).

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- |                                  |  |
|----------------------------------|--|
| - Leasehold improvements         | Shorter of lease term and useful lives |
| - Office equipment and furniture | 5 years                                |
| - Computers equipment            | 3 to 20 years                          |
| - Motor vehicle                  | 3 years                                |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## 2 Material accounting policies (Continued)

### (q) 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.

As a lessee

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 which, for the Group are primarily laptops and office furniture. 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.

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 depreciated over the shorter of unexpired term of lease and its estimated useful life and is subsequently stated at cost less accumulated depreciation and accumulated impairment losses (see note 2(s)(ii)).

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.

## 2 Material accounting policies (Continued)

### (r) Intangible assets

The intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(s)(ii)). Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives as follows:

- Computers software 3 - 5 years

Intangible assets, such as trade name, are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

### (s) Credit losses and impairment of assets

#### (i) Credit loss from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost (including debt securities, cash and cash equivalents, trade and other receivables and loans to joint venture);
- debt securities measured at FVOCI (recycling); and
- loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in funds, equity securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

## 2 Material accounting policies (Continued)

### (s) Credit losses and impairment of assets (Continued)

#### (i) Credit loss from financial instruments (Continued)

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

## 2 Material accounting policies (Continued)

### (s) Credit losses and impairment of assets (Continued)

#### (i) Credit loss from financial instruments (Continued)

##### *Measurement of ECLs (Continued)*

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 when assessing whether credit risk has increased significantly since initial recognition:

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

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

## 2 Material accounting policies (Continued)

### (s) Credit losses and impairment of assets (Continued)

#### (i) Credit loss from financial instruments (Continued)

##### *Measurement of ECLs (Continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

##### *Basis of calculation of interest income*

Interest income recognised in accordance with Note 2(w)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

##### *Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 2 Material accounting policies (Continued)

### (s) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### - Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### - Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

## 2 Material accounting policies (Continued)

### (s) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets (Continued)

##### - Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(s)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### (t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

## **2 Material accounting policies (Continued)**

### **(u) 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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The fair value of share awards and share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share awards and options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share awards and share options that are expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share awards and options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profit).

## 2 Material accounting policies (Continued)

### (v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

## 2 Material accounting policies (Continued)

### (w) Revenue recognition

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

Revenue is recognised when control over a product or 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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 *Revenue from Contracts with Customers* and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) The accounting policies for the recognition of revenue from insurance contracts are disclosed in Note 2(h).
- (ii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (iii) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at FVPL, the Group has separated interest income and expense from the net gains and losses.
- (iv) Management and administration fee income from investment contracts are recognised over time when services are rendered.
- (v) Brokerage and commission income is recognised on trade date basis.
- (vi) Service fee income, including advisory fee income, handling fee income, custodial service fee income, subscription fee income, placing and underwriting commission and financial management are recognised when the underlying services had been provided.

## **2 Material accounting policies (Continued)**

### **(x) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains or losses from trading securities or financial instruments designated at fair value through profit or loss.

Exchange differences relating to fair value through other comprehensive income debt instruments are included in profit or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the date of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the consolidated statement of profit or loss when the profit or loss on disposal is recognised.

### **(y) Fiduciary activities**

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the "bank balances - trust and segregated accounts" within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## 2 Material accounting policies (Continued)

### (z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### (aa) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) 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);
  - (2) 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);
  - (3) Both entities are joint ventures of the same third party;
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (6) The entity is controlled or jointly controlled by a person identified in (i);
  - (7) A person identified in (i)(1) 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); or
  - (8) 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 Group's parent.

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.

### 3 Changes in accounting policies

The HKICPA has issued a number of new HKFRS and amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

Except for the impact of the adoption of HKFRS 17 as disclosed below, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has initially applied HKFRS 17 and related redesignation of financial assets, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of HKFRS 17 and the related redesignation of financial asset under HKFRS 9 are summarised below.

#### (a) **HKFRS 17 Insurance Contracts**

##### (i) Recognition, measurement, and presentation of insurance contracts

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under HKFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related and other assets and liabilities.

### 3 Changes in accounting policies (Continued)

#### (a) HKFRS 17 Insurance Contracts (Continued)

##### (i) Recognition, measurement, and presentation of insurance contracts (Continued)

Insurance finance income and expenses, disaggregated between profit or loss and other comprehensive income, are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach (“PAA”) to simplify the measurement of contracts with yearly renewable terms, except for those contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group’s previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts (‘deferred acquisition costs’) until those costs were included in profit or loss and other comprehensive income. Under HKFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance and reinsurance contracts under HKFRS 17, see Note 2(h).

##### (ii) Transition

The Group considers the full retrospective approach impracticable when the effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. The Group adopts the fair value approach in determining the transition amounts at the HKFRS 17 transition date, being 1 January 2022, when it is impracticable to use a full retrospective approach.

Under the fair value approach, the CSM at 1 January 2022 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Group measured the fair value of the contracts using actuarial appraisal method, i.e. statutory reserve minus value of in-force as of transition date. The cash flows considered in the fair value measurement were consistent with those that were within the contract boundary. Measurement of insurance contracts under the fair value approach required judgement, and the Group used reasonable and supportable information available at 1 January 2022 to determine the level of aggregation, identification of market participants, assumptions underlying the measurement of insurance contracts etc.

### **3 Changes in accounting policies (Continued)**

#### **(a) HKFRS 17 Insurance Contracts (Continued)**

##### **(ii) Transition (Continued)**

Some groups of contracts measured under the fair value approach contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero.

For groups of reinsurance contracts covering onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. The Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts.

The Group has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item and earnings per share. The effects of adopting HKFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the consolidated statement of changes in equity.

#### **(b) Redesignation of financial assets**

HKFRS 17 permits, and in some cases requires, entities that apply HKFRS 9 before HKFRS 17 to change their previously applied classification and designation of financial assets. Assessments that are made on the basis of the facts and circumstances that exist at 1 January 2023 include the determination of the business model assessment within which a financial asset is held.

Changes in accounting policies resulting from the reclassification or redesignation of financial asset under HKFRS 9 will be applied retrospectively. However, the transition requirements under HKFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023. Therefore, the Group has elected to apply the classification overlay in HKFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of HKFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on redesignation.

### 3 Changes in accounting policies (Continued)

#### (b) Redesignation of financial assets (Continued)

##### Transition

Redesignation of financial asset have been applied retrospectively.

Details of the changes and implications resulting from the redesignation of financial asset are presented below:

	<i>Classification before redesignation</i>	<i>Classification after redesignation</i>	<i>Carrying amount before redesignation HK\$'000</i>	<i>Carrying amount after redesignation at 1 January 2023 HK\$'000</i>
<b>Financial assets</b>				
Debt securities	FVOCI	AC	4,781,898	5,333,050
Debt securities	FVOCI	FVOCI	13,521,965	13,521,965
Debt securities	AC	AC	18,791,388	18,791,388
Debt securities	AC	FVOCI	10,424,641	8,600,037
Debt securities	AC	FVTPL (designated)	420,121	273,730
Debt securities	FVTPL	FVTPL	2,389,195	2,389,195
Mortgage loans	AC	AC	5,702,603	5,702,603
Unit trusts	FVTPL	FVTPL	8,651,130	8,651,130
Equity and other securities - Unlisted	FVTPL	FVTPL	2,911,622	2,911,622
Equity and other securities - Listed	FVTPL	FVOCI (non- recycling)	68,232	68,232
Equity and other securities - Listed	FVTPL	FVTPL	416,443	416,443
Derivative assets	FVTPL	FVTPL	95,383	95,383
			<u>68,174,621</u>	<u>66,754,778</u>
<b>Financial liabilities</b>				
Derivative liabilities	FVTPL	FVTPL	(117,508)	(117,508)
Investment contract liabilities (note)	FVTPL (designated)	FVTPL (designated)	(4,680,565)	(4,680,565)
			<u>(4,798,073)</u>	<u>(4,798,073)</u>

Note: The balance excludes HK\$167,016,000 of unearned revenue liability.

### 3 Changes in accounting policies (Continued)

#### (b) Redesignation of financial assets (Continued)

	HKFRS 9 carrying amount before redesignation HK\$'000	Reclassification HK\$'000	Remeasurement (note 1) HK\$'000	HKFRS 9 carrying amount after redesignation at 1 January 2023 HK\$'000
<b>Financial assets carried at amortised cost</b>				
<b>Debt securities</b>				
Brought forward	29,636,150	-	-	-
Reclassified from FVOCI	-	4,781,898	-	-
Reclassified to FVTPL	-	(420,121)	-	-
Reclassified to FVOCI	-	(10,424,641)	-	-
Remeasurement	-	-	551,152	-
Carried forward	-	-	-	24,124,438
<b>Mortgage loans</b>				
Brought forward	5,702,603	-	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	5,702,603
	<u>35,338,753</u>	<u>(6,062,864)</u>	<u>551,152</u>	<u>29,827,041</u>
<b>Financial assets measured at FVOCI (recyclable)</b>				
<b>Debt securities</b>				
Brought forward	18,303,863	-	-	-
Reclassified from AC	-	10,424,641	-	-
Reclassified to AC	-	(4,781,898)	-	-
Remeasurement	-	-	(1,824,604)	-
Carried forward	-	-	-	22,122,002
	<u>18,303,863</u>	<u>5,642,743</u>	<u>(1,824,604)</u>	<u>22,122,002</u>
<b>Financial assets measured at FVOCI (non-recyclable)</b>				
<b>Listed equity securities</b>				
Brought forward	-	-	-	-
Reclassified from FVTPL	-	68,232	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	68,232
	<u>-</u>	<u>68,232</u>	<u>-</u>	<u>68,232</u>

### 3 Changes in accounting policies (Continued)

#### (b) Redesignation of financial assets (Continued)

	<i>HKFRS 9 carrying amount before redesignation</i> HK\$'000	<i>Reclassification</i> HK\$'000	<i>Remeasurement (note 1)</i> HK\$'000	<i>HKFRS 9 carrying amount after redesignation at 1 January 2023</i> HK\$'000
<b>Financial assets carried at FVTPL</b>				
<b>Debt securities</b>				
Brought forward	2,389,195	-	-	-
Reclassified from AC	-	420,121	-	-
Remeasurement	-	-	(146,391)	-
Carried forward	-	-	-	2,662,925
<b>Listed equity securities</b>				
Brought forward	484,675	-	-	-
Reclassified to FVOCI (non-recycling)	-	(68,232)	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	416,443
<b>Unit trusts</b>				
Brought forward	8,651,130	-	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	8,651,130
<b>Unlisted equity and other securities</b>				
Brought forward	2,911,622	-	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	2,911,622
<b>Derivative assets</b>				
Brought forward	95,383	-	-	-
Carried forward	-	-	-	95,383
	<u>14,532,005</u>	<u>351,889</u>	<u>(146,391)</u>	<u>14,737,503</u>
	<u>68,174,621</u>	<u>-</u>	<u>(1,419,843)</u>	<u>66,754,778</u>

Note:

- 1) Remeasurement represents change in credit loss recognised and fair value adjustment to investment under amortised cost redesignated to FVTPL and FVOCI.

### 3 Changes in accounting policies (Continued)

#### (b) Redesignation of financial assets (Continued)

The following table reconciles the closing impairment allowance before redesignation as at 31 December 2022 with the opening loss allowance after redesignation as at 1 January 2023.

	At 31 December 2022 before redesignation HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	At 1 January 2023 after redesignation HK\$'000
<b>Financial assets at FVOCI:</b>				
Debt securities	452,971	21,536	-	474,507
<b>Financial assets at amortised cost</b>				
Debt securities	112,338	(21,553)	-	90,785
Mortgage loans	13,950	-	-	13,950
	579,259	(17)	-	579,242

#### (c) New HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”)-Long Service Payment (“LSP”) offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the LSP in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

This change in accounting policy did not have any impact on the statement of financial position as at 31 December 2022 and 31 December 2023.

## 4 Insurance and financial risk management

### *Risk management objectives and policies for mitigating insurance and financial risk*

The group operates in a business environment which is subject to various risks and uncertainties. Such risks and uncertainties can be classified into two categories, insurance risks and financial risks.

### *Key risks arising from contracts issued*

<i>Product</i>	<i>Key risks</i>	<i>Risk mitigation</i>
<b>Traditional whole-life, term assurance, critical illness and immediate annuity</b>	<ul style="list-style-type: none"> <li>- Mortality risk: death of policyholder earlier than expected</li> <li>- Morbidity risk: diagnosis of critical illness earlier than expected</li> <li>- Longevity risk: death of policyholder later than expected</li> <li>- Interest rate risk: differences in duration and yield of assets and liabilities</li> <li>- Investment credit risk</li> </ul>	<ul style="list-style-type: none"> <li>- Reinsurance with financially strong reinsurers</li> <li>- Matching of asset and liability cash flows</li> <li>- Investing in investment-grade assets</li> </ul>
<b>Traditional participating</b>	<ul style="list-style-type: none"> <li>- Market risk: investment return on underlying items lower than expected</li> <li>- Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>- Management discretion to determine amount and timing of policyholder dividends</li> <li>- Surrender penalties</li> </ul>
<b>Universal life</b>	<ul style="list-style-type: none"> <li>- Mortality risk</li> <li>- Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates</li> <li>- Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>- Reinsurance with financially strong reinsurers</li> <li>- Management discretion to set crediting rates (subject to guaranteed rates)</li> <li>- Surrender penalties</li> </ul>
<b>Deferred annuity</b>	<ul style="list-style-type: none"> <li>- Longevity risk</li> <li>- Interest rate risk</li> <li>- Policyholder behaviour risk</li> <li>- Investment credit risk</li> </ul>	<ul style="list-style-type: none"> <li>- Matching of asset and liability cash flows</li> <li>- Management discretion to set crediting rates (subject to guaranteed rates)</li> <li>- Surrender penalties</li> <li>- Investing in investment-grade assets</li> </ul>
<b>Unit-linked</b>	<ul style="list-style-type: none"> <li>- Market risk: insufficient fees to cover expenses</li> <li>- Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>- Surrender penalties</li> </ul>

## **4 Insurance and financial risk management (Continued)**

### **(a) Insurance risks**

The Group manages insurance risks through prudent pricing guidelines, reinsurance and underwriting management and monitoring internal and external emerging trends and issues.

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to ensure appropriate risk selection within the portfolio.

Adherence to the underwriting authorities is monitored through a scheduled underwriting audit. In addition, the Group has an Underwriting Committee to establish policies and procedures to supervise and assess the insurance risks and to periodically review and monitor the overall underwriting management process. The Group also has a Claims Settlement Committee to establish policies and procedures to supervise the claims settlement policy. The committee monitors the adequacy of the group's reserves for the settlement of claims, reviews significant claims or major events, and investigates any fraudulent claims.

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses to avoid the risk of concentration and to protect capital resources. Such transfers of risks do not relieve the group of its primary liability and, as such, failure of reinsurers to honour their obligations could result in losses. The Group reduces this risk by evaluating the financial condition of reinsurers and monitoring for possible concentrations of credit risk. The Group has a Reinsurance Committee to establish policies and procedures to properly and regularly supervise and review proposed and existing reinsurance activities covering ceded risks to reinsurers. The committee also periodically reviews and monitors the financial stability of reinsurers.

## 4 Insurance and financial risk management (Continued)

### (a) Insurance risks (Continued)

#### Concentration of insurance risks

The table below illustrates the concentration of risks based on seven bands of contracts grouped by benefits assured for each life assured.

HK\$'000	<i>Sum insured before reinsurance</i>		<i>Sum insured after reinsurance</i>	
	HK\$'000	%	HK\$'000	%
<b>2023</b>				
0 - 500	26,003,758	13	35,955,995	41
501 - 750	25,645,996	13	26,305,909	31
751 - 1,000	14,315,485	7	23,366,646	27
1,001 - 1,500	20,040,155	10	98,479	0
1,501 - 2,000	26,290,655	13	370,443	0
2,001 - 2,500	30,109,050	15	130,637	0
>2,500	59,913,896	29	602,744	1
Total	<u>202,318,995</u>	<u>100</u>	<u>86,830,853</u>	<u>100</u>

HK\$'000	<i>Sum insured before reinsurance</i>		<i>Sum insured after reinsurance</i>	
	HK\$'000	%	HK\$'000	%
<b>2022</b>				
0 - 500	26,312,390	13	36,205,701	42
501 - 750	24,620,716	12	27,297,243	32
751 - 1,000	14,168,168	7	22,633,207	26
1,001 - 1,500	20,117,847	10	52,533	0
1,501 - 2,000	26,430,426	13	276,804	0
2,001 - 2,500	31,253,287	16	86,689	0
>2,500	58,635,630	29	356,253	0
Total	<u>201,538,464</u>	<u>100</u>	<u>86,908,430</u>	<u>100</u>

## 4 Insurance and financial risk management (Continued)

### (a) Insurance risks (Continued)

#### Sensitivity analysis

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in insurance risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	2023		2022	
	<i>Profit or loss</i> HK\$'000	<i>Equity</i> HK\$'000	<i>Profit or loss</i> HK\$'000	<i>Equity</i> HK\$'000
<b>Total before risk mitigation by reinsurance</b>				
Mortality rates (10% increase)	138,910	104,699	182,674	206,636
Mortality rates (10% decrease)	(149,780)	(114,203)	(129,238)	(161,978)
Lapse rates (10% increase)	267,951	(97,367)	382,939	72,577
Lapse rates (10% decrease)	(424,645)	(33,285)	(437,999)	(117,083)
<b>Total after risk mitigation by reinsurance</b>				
Mortality rates (10% increase)	162,677	42,550	206,598	96,557
Mortality rates (10% decrease)	(174,510)	(47,683)	(153,484)	(46,332)
Lapse rates (10% increase)	279,851	(122,351)	383,289	41,111
Lapse rates (10% decrease)	(434,028)	(1,178)	(439,527)	(82,585)

Changes in insurance risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

- a. Profit or loss
  - Changes in fulfilment cash flows relating to loss components.
  - Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.
- b. Equity
  - Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI.
  - The effect on profit or loss under (a).

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

#### (i) Credit risk

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

- amounts due from issuers of debt securities;
- bank balances;
- reinsurance contract assets;
- commercial and residential mortgage loans;
- other unsecured receivables; and
- derivative financial instruments.

The Group manages its financial assets to limit credit risk by diversifying its portfolio among various security types and industry sectors. The Group has an Investment Committee to supervise and control investments and related financial matters.

Investment policies and guidelines have to be approved by the committee. In addition, the committee periodically reviews investment strategies and investment performance.

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (i) Credit risk (Continued)

At 31 December 2023, 0.01% (2022: 0.01%) of the Group's debt securities represented investments in asset-backed and mortgage-backed securities in the United States of America which are exposed to sub-prime credit risks. The Group does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees. As of 31 December 2023, the Group had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritised mortgage whole-loan pools. The Group has implemented a stringent review process for determining the fair value of securities containing these risk characteristics. At 31 December 2023, 97.9% (2022: 96.8%) of the debt securities have Standard and Poor's ratings of BBB- or above or equivalent ratings from other reputable rating agencies. At 31 December 2023, 88.5% (2022 (restated): 89.4%) of the mortgage loan have internal rating equivalent to Standard and Poor's ratings of BBB or above or equivalent ratings from other reputable rating agencies. For the year ended 31 December 2023, impairment losses amounting to HK\$123,011,000 (2022 (restated): HK\$356,385,000) were recognised in the consolidated statement of profit or loss.

In respect of bank balances, all of them are due from authorised institutions in Hong Kong, Macao, the People's Republic of China, the United Kingdom and the United States of America. Management periodically reviews the credit ratings of these authorised institutions.

With respect to the recoveries due from reinsurers, the Group is exposed to the credit risk that the amounts due under a reinsurance contract may not be paid. For the management of the underlying risks, please refer to Note 4(a).

In respect of loans to policyholders and other loans to agents and staff, management monitors the repayment status on an ongoing basis. Other unsecured receivables mainly comprise accrued interest income on debt securities, where the credit risks are limited by the diversification of its investment portfolio as mentioned above.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other account receivables and other receivables are set out in Notes 24 and 25.

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

###### (i) Credit risk (Continued)

###### (1) Credit quality analysis

The following table sets out information about the credit quality of reinsurance contract assets and financial investments (based on reputable external credit ratings agencies and internal rating assessment of equivalent credit rating methodology) by Investment grade rated (i.e. BBB- or above) and Non-investment grade rated.

	2023	2022 (restated)
	HK\$'000	HK\$'000
<b>Reinsurance contract assets</b>		
Investment grade	6,517,666	6,432,170
<b>Financial investments - underlying items</b>		
Fair value through profit or loss:		
Investment grade	1,079,028	273,730
<b>Financial investments – not underlying items</b>		
Fair value through profit or loss:		
Investment grade	2,030,899	2,225,221
Non-investment grade	267,806	163,974
	2,298,705	2,389,195
Fair value through comprehensive income:		
Investment grade	24,946,116	21,050,675
Non-investment grade	812,485	1,071,327
	25,758,601	22,122,002
Amortised cost:		
Investment grade	31,925,534	28,883,350
Non-investment grade	860,461	943,691
	32,785,995	29,827,041

The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

###### (i) Credit risk (Continued)

###### (2) Amounts arising from ECL on financial assets

The following table set out the credit quality analysis of financial assets measured at FVOCI (recycling) and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts. For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see note 2(s).

	2023							
	Investment grade			Non-investment grade				Total HK\$'000
	12-month ECL HK\$'000	Lifetime ECL no/ credit-impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	12-month ECL HK\$'000	Lifetime ECL no/ credit-impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000		
<b>Financial assets at amortised cost</b>								
Unlisted debt securities	27,590,332	33,719	-	-	296,728	39,259	27,960,038	
Mortgage loan	4,377,746	-	-	-	601,408	-	4,979,154	
Gross carrying amount	31,968,078	33,719	-	-	898,136	39,259	32,939,192	
Less: Loss allowance	(75,712)	(551)	-	-	(37,698)	(39,236)	(153,197)	
Amortised cost	31,892,366	33,168	-	-	860,438	23	32,785,995	
<b>Financial assets at FVOCI (recycling)</b>								
Unlisted debt securities gross carrying amount	28,163,574	86,032	16,975	-	792,295	467,998	29,526,873	
Less: Loss allowance	(110,186)	(16,405)	(11,583)	-	(44,279)	(366,957)	(549,410)	
Amortised cost	28,053,388	69,627	5,392	-	748,016	101,041	28,977,463	
Carrying amount – fair value	24,865,313	60,086	20,717	-	693,612	118,873	25,758,601	

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

###### (i) Credit risk (Continued)

###### (2) Amounts arising from ECL on financial assets (Continued)

	2022							
	Investment grade			Non-investment grade				Total HK\$'000
	12-month ECL HK\$'000	Lifetime ECL no/ credit-impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	12-month ECL HK\$'000	Lifetime ECL no credit-impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000		
<b>Financial assets at amortised cost</b>								
Unlisted debt securities	23,725,607	138,630	-	-	350,940	48	24,215,225	
Mortgage loan	5,105,748	-	-	-	610,803	-	5,716,551	
Gross carrying amount	28,831,355	138,630	-	-	961,743	48	29,931,776	
Less: Loss allowance	(79,772)	(6,863)	-	-	(18,073)	(27)	(104,735)	
Amortised cost	28,751,583	131,767	-	-	943,670	21	29,827,041	
<b>Financial assets at FVOCI (recycling)</b>								
Unlisted debt securities gross carrying amount	25,488,867	102,472	17,330	-	1,114,332	366,956	27,089,957	
Less: Loss allowance	(116,387)	(10,340)	(488)	-	(44,104)	(303,188)	(474,507)	
Amortised cost	25,372,480	92,132	16,842	-	1,070,228	63,768	26,615,450	
Carrying amount – fair value	20,939,648	90,434	20,593	-	947,725	123,602	22,122,002	

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (i) Credit risk (Continued)

#### (2) Amounts arising from ECL on financial assets (Continued)

2023

	12-month ECL HK\$'000	Lifetime ECL Not-credit impaired HK\$'000	Lifetime ECL Credit impaired HK\$'000	Total HK\$'000
<b>Debt securities at amortised cost</b>				
Balance at 1 January 2023	72,328	18,430	27	90,785
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(3,281)	(12,579)	39,145	23,285
Exchange alignment	15	(15)	64	64
<b>Balance at 31 December 2023</b>	<b>69,062</b>	<b>5,836</b>	<b>39,236</b>	<b>114,134</b>
<b>Mortgage loans at amortised cost</b>				
Balance at 1 January 2023	7,444	6,506	-	13,950
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(794)	25,865	-	25,071
Exchange alignment	-	42	-	42
<b>Balance at 31 December 2023</b>	<b>6,650</b>	<b>32,413</b>	<b>-</b>	<b>39,063</b>
<b>Debt securities at fair value through other comprehensive income</b>				
Balance at 1 January 2023	116,387	54,444	303,676	474,507
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	(6,222)	6,215	74,662	74,655
Exchange alignment	21	25	202	248
<b>Balance at 31 December 2023</b>	<b>110,186</b>	<b>60,684</b>	<b>378,540</b>	<b>549,410</b>

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (i) Credit risk (Continued)

#### (2) Amounts arising from ECL on financial assets (Continued)

2022

	12-month ECL HK\$'000	Lifetime ECL Not-credit impaired HK\$'000	Lifetime ECL Credit impaired HK\$'000	Total HK\$'000
<b>Debt securities at amortised cost</b>				
Balance at 1 January 2022	24,475	22,876	6	47,357
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	47,757	(4,470)	21	43,308
Exchange alignment	96	24	-	120
<b>Balance at 31 December 2022</b>	<b>72,328</b>	<b>18,430</b>	<b>27</b>	<b>90,785</b>
<b>Mortgage loans at amortised cost</b>				
Balance at 1 January 2022	221	637	10,899	11,757
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	7,213	5,860	(10,899)	2,174
Exchange alignment	10	9	-	19
<b>Balance at 31 December 2022</b>	<b>7,444</b>	<b>6,506</b>	<b>-</b>	<b>13,950</b>
<b>Debt securities at fair value through other comprehensive income</b>				
Balance at 1 January 2022	41,110	29,509	92,350	162,969
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	75,121	24,863	210,919	310,903
Exchange alignment	156	72	407	635
<b>Balance at 31 December 2022</b>	<b>116,387</b>	<b>54,444</b>	<b>303,676</b>	<b>474,507</b>

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

###### (ii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its life insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Group manages this risk by setting a minimum level of liquidity cash that will be available to cover claims maturities and surrenders.

###### (1) Financial liabilities

The following tables show the remaining contractual maturities at the end of the reporting period of non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date can be required to pay:

	2023				2022 (restated)			
	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
<b>Non-derivative liabilities</b>								
Other accounts payables	385,563	385,563	385,563	-	609,464	609,464	609,464	-
Other payables and accrued expenses	891,614	891,614	891,614	-	1,020,501	1,020,501	850,359	170,142
Financial liabilities at fair value through profit or loss	220,361	220,763	102,275	118,488	236,362	242,672	-	242,672
Lease liabilities	212,240	218,706	121,970	96,736	233,066	241,103	112,540	128,563
Bank borrowings	1,399,479	1,421,479	1,421,479	-	1,393,166	1,474,408	33,998	1,440,410
Shareholder's loan	1,641,077	1,808,467	1,808,467	-	1,641,077	1,808,467	1,808,467	-
	<u>4,750,334</u>	<u>4,946,592</u>	<u>4,731,368</u>	<u>215,224</u>	<u>5,133,636</u>	<u>5,396,615</u>	<u>3,414,828</u>	<u>1,981,787</u>
	Carrying amount HK\$'000	Nominal amount HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Carrying amount HK\$'000	Nominal amount HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
<b>Derivative liabilities</b>	<u>298,003</u>	<u>10,049,550</u>	<u>7,123,541</u>	<u>2,926,009</u>	<u>117,508</u>	<u>10,218,342</u>	<u>6,616,476</u>	<u>3,601,866</u>

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

(2) Liabilities under investment contracts

The following table presents the estimated timing of payments for the amounts recognised in the statement of financial position arising from liabilities under insurance and investment contracts. These contracts typically include policyholder surrender or transfer options at a value equal to, or below, the carrying value of those liabilities.

	2023			2022 (restated)		
	Total HK\$'000	1 year or less HK\$'000	More than 1 year HK\$'000	Total HK\$'000	1 year or less HK\$'000	More than 1 year HK\$'000
Investment contract liabilities (note)	<u>4,588,215</u>	<u>239,033</u>	<u>4,349,182</u>	<u>4,680,565</u>	<u>249,772</u>	<u>4,430,793</u>

Note: The balance excludes HK\$186,632,000 (2022 (restated): HK\$167,016,000) of unearned revenue liability.

#### 4 Insurance and financial risk management (Continued)

##### (b) Financial risks (Continued)

(ii) Liquidity risk (Continued)

(3) Insurance contracts

The following table provides a maturity analysis of the Group's insurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

	<i>Estimates of present value of future cash (inflows)/outflows</i>						<i>Total</i> HK\$'000
	<i>1 year or less</i> HK\$'000	<i>1 - 2 years</i> HK\$'000	<i>2 - 3 years</i> HK\$'000	<i>3 - 4 years</i> HK\$'000	<i>4 - 5 years</i> HK\$'000	<i>More than 5 years</i> HK\$'000	
<b>31 December 2023</b>							
<b>Insurance contracts</b>	<u>(1,740,529)</u>	<u>(1,235,388)</u>	<u>(306,072)</u>	<u>1,064,873</u>	<u>514,036</u>	<u>55,420,847</u>	<u>53,717,767</u>
<b>31 December 2022</b>							
<b>Insurance contracts</b>	<u>(3,405,740)</u>	<u>(469,249)</u>	<u>238,053</u>	<u>967,019</u>	<u>1,932,319</u>	<u>45,637,283</u>	<u>44,899,685</u>

#### 4 Insurance and financial risk management *(Continued)*

##### **(b) Financial risks** *(Continued)*

###### (ii) Liquidity risk *(Continued)*

###### (3) Insurance and reinsurance contracts *(Continued)*

The amounts from insurance contract liabilities that are payable on demand are set out below.

	2023		2022	
	Amount payable on demand HK\$'000	Carrying amount HK\$'000	Amount payable on demand HK\$'000	Carrying amount HK\$'000
Insurance contracts	<u>54,845,893</u>	<u>63,577,444</u>	<u>49,720,910</u>	<u>55,054,209</u>

###### (iii) Interest rate risk

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the Group controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities.

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (iii) Interest rate risk (Continued)

##### *Interest rate profile*

The following table details the interest rate profile of the Group's financial assets and financial liabilities at the end of the reporting period.

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>Financial assets</b>		
Statutory deposits	4,193	5,142
Debt securities and mortgage loans	61,922,329	54,611,968
Loans to agents and staff	68,758	57,486
Cash and cash equivalents and deposits with banks maturing more than three months	<u>5,232,922</u>	<u>4,172,874</u>
<b>Financial liabilities</b>		
Investment contract liabilities (note)	4,588,215	4,680,565
Bank borrowings	1,399,479	1,393,166
Shareholder's loan	<u>1,641,077</u>	<u>1,641,077</u>

Note: The balance excludes HK\$186,632,000 (2022 (restated): HK\$167,016,000) of unearned revenue liability.

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (iii) Interest rate risk (Continued)

##### Sensitivity analysis

While it is more difficult to measure the interest sensitivity of the insurance and investment contract liabilities than that of the related assets, to the extent that the Group can measure such sensitivities the Group believes that interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

An analysis of the Group's sensitivity to a 1% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

	<i>Profit of loss</i>		<i>Equity</i>	
	Increase HK\$'000	Decrease HK\$'000	Increase HK\$'000	Decrease HK\$'000
31 December 2023				
Insurance and reinsurance contracts	42,037	(209,567)	959,919	(2,569,494)
Financial instruments	(329,879)	329,879	(2,997,010)	2,997,010
	42,037	(209,567)	959,919	(2,569,494)
31 December 2022 (restated)				
Insurance and reinsurance contracts	32,880	(21,307)	1,132,564	(903,464)
Financial instruments	(236,965)	236,965	(2,418,853)	2,418,853
	32,880	(21,307)	1,132,564	(903,464)

#### **4 Insurance and financial risk management (Continued)**

##### **(b) Financial risks (Continued)**

###### (iv) Currency risk

The Group's currency exchange risk is mainly related to certain policies that are not written in the United States dollars. However, most of the policies are denominated in the United States dollars and Hong Kong dollars. As the Group's investments are primarily made in the United States dollars, coupled with the fact that the Hong Kong dollars are pegged to the United States dollars, management does not believe that the currency risk is material. For investments made in non-United States dollars, the Group mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimise currency risk for certain non-United States dollar assets and liabilities through a pre-specified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates. As such, no sensitivity analysis is prepared for currency risk.

#### 4 Insurance and financial risks management (Continued)

##### (b) Financial risks (Continued)

##### (iv) Currency risk (Continued)

##### Exposure to currency risk

The following table details the exposure at the end of the reporting period to currency risk arising from financial assets or financial liabilities which are presented in Hong Kong dollars.

	2023								
	United States Dollars HK'000	Canadian Dollars HK'000	Macao Patacas HK'000	British Pounds HK'000	Australian Dollars HK'000	Euros HK'000	Chinese Renminbi HK'000	Japanese Yen HK'000	Singapore Dollars HK'000
<b>Financial assets</b>									
Investments	61,662,020	-	-	-	-	-	-	-	-
Other account receivables	25,021	-	-	-	4	-	-	1	3
Other receivables	827,407	-	2,315	104	17	1	2,052	7	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	2,925,193	645	39,303	835	1,232	11,328	19,370	972	40
Derivative financial instruments	220,673	-	-	-	-	-	-	-	-
	<u>65,660,314</u>	<u>645</u>	<u>41,618</u>	<u>939</u>	<u>1,253</u>	<u>11,329</u>	<u>21,422</u>	<u>980</u>	<u>43</u>
<b>Financial liabilities</b>									
Derivative financial instruments	298,002	-	-	-	-	-	-	-	-
Other accounts payables	72,945	13	-	62	19	-	3,733	498	22
Other payables	219,094	(566)	2,632	18	707	-	3,212	-	-
Investment contract liabilities	1,919,810	-	96,653	-	1,099	-	3,240	-	-
Lease liabilities	-	-	-	-	-	-	2,657	-	-
	<u>2,509,851</u>	<u>(553)</u>	<u>99,285</u>	<u>80</u>	<u>1,825</u>	<u>-</u>	<u>12,842</u>	<u>498</u>	<u>22</u>
Notional amount of currency-related derivative contracts	<u>(28,507,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,472</u>	<u>(49,299)</u>	<u>74,876</u>	<u>(88,416)</u>	<u>1,446</u>
Reinsurance contract assets	532,733	-	(71,885)	-	-	-	20,561	-	-
Insurance contract liabilities	<u>(34,201,516)</u>	<u>-</u>	<u>(1,028,823)</u>	<u>(741)</u>	<u>(765)</u>	<u>-</u>	<u>(127,585)</u>	<u>-</u>	<u>(500)</u>

#### 4 Insurance and financial risks management (Continued)

##### (b) Financial risks (Continued)

##### (iv) Currency risk (Continued)

##### Exposure to currency risk (Continued)

	2022 (restated)								
	United States Dollars HK'000	Canadian Dollars HK'000	Macao Patacas HK'000	British Pounds HK'000	Australia Dollars HK'000	Euros HK'000	Chinese Renminbi HK'000	Japanese Yen HK'000	Singapore Dollars HK'000
<b>Financial assets</b>									
Investments	54,413,213	-	-	-	-	-	-	-	-
Other account receivables	14,651	-	-	-	-	-	-	-	2
Other receivables	727,124	-	1,441	60	12	154	2,125	(2)	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	1,780,064	3,546	26,467	1,072	1,999	6,878	35,918	2,052	87
Derivative financial instruments	95,383	-	-	-	-	-	-	-	-
	<u>57,030,435</u>	<u>3,546</u>	<u>27,908</u>	<u>1,132</u>	<u>2,011</u>	<u>7,032</u>	<u>38,043</u>	<u>2,050</u>	<u>89</u>
<b>Financial liabilities</b>									
Derivative financial instruments	116,506	-	-	-	-	-	-	-	-
Other accounts payables	193,296	13	-	58	19	-	5,445	1,753	21
Other payables	513,707	4	5,161	-	-	-	5,938	-	-
Investment contract liabilities	2,036,353	-	95,907	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	4,430	-	-
	<u>2,859,862</u>	<u>17</u>	<u>101,068</u>	<u>58</u>	<u>19</u>	<u>-</u>	<u>15,813</u>	<u>1,753</u>	<u>21</u>
Notional amount of currency-related derivative contracts	<u>(26,887,007)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reinsurance contract assets	836,021	-	(37,878)	-	-	-	8,578	-	-
Insurance contract liabilities	<u>(29,120,324)</u>	<u>(487)</u>	<u>(859,356)</u>	<u>(21,203)</u>	<u>111</u>	<u>-</u>	<u>(111,528)</u>	<u>-</u>	<u>-</u>

## 4 Insurance and financial risk management (Continued)

### (b) Financial risks (Continued)

#### (v) Equity price risk

The portfolio of unit trusts backing linked insurance contracts, which the Group carries on its statement of financial position at fair value, has exposure to price risk. However, such price risk is fully borne by the policyholders as the benefits payable are linked to the price of the securities.

The portfolio of unit trusts backing non-linked insurance contracts, which the Group carries on its statement of financial position at fair value, also has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

At 31 December 2023, the unit trusts backing non-linked insurance contracts were classified as fair value through profit or loss at their fair value of HK\$971,175,000 (2022: HK\$1,181,697,000).

At 31 December 2023, it is estimated that an increase/decrease of 10% (2022: 10%) in the market value of Group's unit trusts backing non-linked insurance contracts, with all other variable held constant, would have increased/decreased the Group's total equity by HK\$97,117,000 (2022: HK\$118,169,000). The analysis is performed on the same basis for 2022.

#### Sensitivity analysis

An analysis of the Group's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	<i>Profit of loss</i>		<i>Equity</i>	
	Increase HK\$'000	Decrease HK\$'000	Increase HK\$'000	Decrease HK\$'000
31 December 2023				
Insurance and reinsurance contracts	(207,130)	207,099	(215,264)	215,601
Financial instruments	239,302	(239,302)	239,302	(239,302)
	(207,130)	207,099	(215,264)	215,601
31 December 2022 (restated)				
Insurance and reinsurance contracts	(199,416)	199,074	(209,344)	209,002
Financial instruments	205,925	(205,925)	205,925	(205,925)
	(199,416)	199,074	(209,344)	209,002

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has established and maintained policies and guidelines that govern its valuation methodologies and their consistent application. These policies and guidelines address the use of inputs, price source hierarchies and provide controls around the valuation processes.

These controls include appropriate review and analysis of prices against market activity or indicators for reasonableness, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. The valuation policies and guidelines are reviewed and updated as appropriate.

Annually, the Group conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While the Group was not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process the Group continues to perform for each reporting period.

In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. The Group believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

##### Fair value hierarchy (Continued)

The Group reviews the fair value hierarchy classification at each reporting period. Overall, reclassifications between levels occur when there are changes in the observability of inputs and market activity used in the valuation of a financial asset or liability. Such reclassifications are reported as transfers between levels at the beginning of the reporting period in which the changes occur. Given the types of assets classified as Level 1 (primarily debt securities and unit trusts), transfers between Level 1 and Level 2 measurement categories are expected to be infrequent. Transfers into and out of Level 3 are summarised in the schedule of changes in Level 3 assets and liabilities.

The fair value of short-term debt instruments, a maturity less than 30 days, is assumed to be equal to the book value. The Group generally uses unadjusted quotable market prices from independent brokers, when available, to determine the fair value of debt instruments with a maturity greater than 30 days.

	Fair value measurements as at 31 December 2023 categorised into			Fair value measurements as at 31 December 2022 (restated) categorised into		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurement</b>						
Assets						
<b>Financial assets at fair value through profit or loss:</b>						
- Private credit and other trust product type funds	-	-	306,693	-	-	380,149
- Listed equity	276,593	-	-	416,443	-	-
- Unlisted equity and other securities	-	-	2,696,894	-	-	2,420,240
- Leveraged and structured note investment	38,393	3,097,506	241,834	53,134	2,300,490	309,301
- Unit trust	2,152,118	5,975,295	459,950	2,477,149	5,684,972	489,009
- Interest in a joint venture	-	-	115,725	-	-	110,923
- Mutual fund	-	327	-	-	310	-
<b>Financial asset at fair value through other comprehensive income:</b>						
- Debt securities	2,466,600	19,557,856	3,734,145	3,541,324	14,499,381	4,081,297
- Listed equity	-	-	-	68,232	-	-
<b>Derivative financial instruments</b>						
- Currency swaps	-	147,925	-	-	90,292	-
- Forward contracts	-	1,992	-	-	5,091	-
- Bond forward	-	70,756	-	-	-	-
Liabilities						
<b>Derivative financial instruments</b>						
- Currency swaps	-	(15,416)	-	-	(35,115)	-
- Forward contracts	-	(6,178)	-	-	(11,316)	-
- Collateral	-	(184,126)	-	-	(70,075)	-
- Bond forward	-	(35,269)	-	-	-	-
- Preference share liability	-	-	(101,873)	-	-	(105,175)
- Third-party interests in consolidated funds	-	-	(118,488)	-	-	(131,187)
- Short position in listed equity	(57,014)	-	-	(1,002)	-	-
Investment contract liabilities (note)	-	(4,588,215)	-	-	(4,680,565)	-

Note: The balance excludes HK\$186,632,000 (2022 (restated): HK\$167,016,000) of unearned revenue liability.

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

##### *Fair value hierarchy (Continued)*

During the year, there were transfers of FVOCI debt instrument from level 1 to level 2 of HK\$1,207,952,000. There were transfers of FVOCI debt instrument from level 2 to level 3 of HK\$4,296,000. There were transfers of FVTPL debt instrument from level 1 to level 2 of HK\$10,096,000. There were transfers of FVTPL unit trusts from level 1 to level 2 of HK\$227,692,000. (2022 (restated): there were transfers of FVOCI debt instrument from level 1 to level 3 of HK\$6,364,000. There were transfers of FVOCI debt instrument, FVTPL debt instruments and FVTPL equities from level 2 to level 3 of HK\$87,568,000, HK\$234,734,000 and HK\$143,844,000 respectively. There were transfers of FVOCI debt instrument from level 3 to level 2 of HK\$23,157,000. There were transfers of FVTPL unit trusts from level 3 to level 1 of HK\$206,210,000). Except for those mentioned above, there was no other transfer. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

##### *Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities*

The Group determines the estimated fair value of its investments using primarily the market approach or the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The Group attempts to maximise the use of observable inputs and minimise the use of unobservable inputs in selecting whether the market or the income approach is used.

##### **Debt securities**

*U.S. Treasury securities and obligations of U.S. government corporations and agencies* - These securities are principally valued using the market approach. Level 2 valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spreads versus the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

*Debt securities issued by foreign governments and state and local government securities* - These securities are principally valued using the market approach. Level 2 valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating. Valuations based primarily on matrix pricing, discounted cash flow models or other valuation techniques that utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data or from inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities (Continued)*

#### **Debt securities (Continued)**

*Assets-backed securities ("ABS") and mortgage-backed securities ("MBS")* - These securities are principally valued using the market approach or the income approach. Level 2 valuations are based primarily on broker quotes, matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs including spreads for similar, actively traded securities, spreads versus benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, issuer credit ratings, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, security structure, deal performance and loan vintage. If the matrix pricing, discounted cash flow models or other valuation techniques utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, the fair value measurement is classified as Level 3.

*Corporate securities* - These securities are principally valued using the market or the income approaches. Level 2 valuations are based primarily on quoted prices in markets that are not active, broker quotes or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads versus benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately placed securities are valued using discounted cash flow models using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. This level also includes securities priced by independent pricing services that use observable inputs. Valuations based on matrix pricing or other similar techniques that utilise significant unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including adjustments for illiquidity, delta spread adjustments or spreads to reflect industry trends or specific credit-related issues are classified as Level 3. In addition, inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities (Continued)*

#### **Unit trusts and equity and other securities**

These securities are principally valued using the market approach. Level 2 valuations for equity securities are based on quoted market prices adjusted for certain factors, such as foreign market differential. If quoted market prices are not available, values provided by other third-party organisations are used. If values from other third parties are unavailable, certain equity securities, including privately held securities classified within equity securities, are valued using the market and the income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities, discounted cash flow, solvency margin ratio analysis and portfolio yields. These valuations are based on lower levels of trading activity than securities classified in Level 2 and are classified as Level 3.

#### **Derivative financial instruments**

These financial instruments are primarily valued using the market approach. The estimated fair value of derivatives is based primarily upon quotations obtained from counterparties and independent sources, such as quoted market values received from brokers. These quotations are compared to internally derived prices and a price challenge is lodged with the counterparties and an independent source when a significant difference cannot be explained by appropriate adjustments to the internal model.

When quoted market values are not reliable or available, the value is based upon an internal valuation process using market observable inputs that other market participants would use.

Significant inputs to the valuation of derivative financial instruments include Overnight Indexed Swap and London InterBank Offered Rate basis curves, interest rate volatility, swap yield curve, currency spot rates, cross currency basis curves and dividend yield curves. Due to the observability of the significant inputs to these fair value measurements, they are classified as Level 2.

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts. For the periods presented, there were no significant changes to the Group's valuation techniques.

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities (Continued)*

#### *Information about Level 3 fair value measurements*

	Valuation techniques	Significant unobservable inputs	Range		Weighted average
			Min	Max	
<b>Financial assets:</b>					
Equity and other securities, FVTPL					
- Partnership investment	Net asset value	Net asset value	NA	NA	NA
Equities securities, FVTPL					
- Unit trusts	Net asset value	Net asset value	NA	NA	NA
Debt securities FVOCI					
- Corporate securities	Matrix pricing and DCF	Credit spread	85BPS	929BPS	156BPS

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for the more significant level 3 insurance contract related asset and liability classes is as follows:

Corporate securities - Internally-priced corporate securities classified in Level 3 include certain below investment grade watch list and distressed fixed maturity securities. For securities where discounted cash flows are used, the primary unobservable input is the internally-developed discount rate. Significant increases in the discount rate would result in a significantly lower fair value, with the opposite being true for decreases in the discount rate. In certain cases, the Group uses an estimated liquidation value of the borrower or underlying assets. The Group also applies market comparables, such as earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples for certain securities. In isolation, an increase in the value of these inputs would result in an increase in fair value, with the opposite being true for decreases in the value of these inputs. As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the Group's other comprehensive income by HK\$203,257,000 (2022 (restated): HK\$228,992,000). As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the Group's profit or loss by HK\$1,032,000 (2022: HK\$4,848,000).

Unit trusts - The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. At 31 December 2023, for the fair value sensitivity analysis of unit trusts classified as Level 3, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have decreased/increased the Group's profit or loss by HK\$45,995,000 (2022 (restated): HK\$48,901,000).

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities (Continued)*

*Information about Level 3 fair value measurements (Continued)*

Partnership interest - The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in net asset value by 10% would have increased/decreased the Group's profit or loss by HK\$254,874,000 (2022 (restated): HK\$225,365,000).

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those non-insurance contract related assets and liabilities*

*Information about level 3 investment*

<b>Unlisted fair value through profit or loss investment</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>
Trust products	Recent transaction price	Recent transaction price
Private credit funds and interest in a joint venture	Net asset value	Net asset value
Preference share liability	Discounted cashflow	Expected distribution from underlying fund investment per annum and net asset value of underlying fund investment
Unlisted equity	Market approach	Applied multiples, marketability discount
Third-party interests in consolidated funds	Net asset value	Net asset value

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for those non-insurance contract related level 3 asset and liability classes is as follows:

## 4 Insurance and financial risk management *(Continued)*

### (c) Fair value measurement *(Continued)*

#### (i) Financial assets and liabilities measured at fair value *(Continued)*

*Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those non-insurance contract related assets and liabilities (Continued)*

*Information about Level 3 fair value measurements (Continued)*

Fund investments - the fair value of private debt securities investment fund and interest in a joint venture holding based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group.

Credit link obligation note investment - the fair value based on valuation model and price quote provided by the arranger of the note with ongoing monitoring of our investment committee and risk management team in conjunction with additional information compiled by portfolio manager including performance and covenant compliance information as provided by the independent trustee.

Unlisted equity - the fair value based on market approach valuation model based on the applied EBITDA multiples of comparable public companies and marketability discount to estimate the fair value of the unlisted equity.

Preference share liabilities and third parties interest in consolidated funds – the fair value of the financial liabilities are determined mainly based on the fair value of the fund investments as the principal investment of the consolidated funds and the effective interest of the third parties in those consolidated funds.

#### 4 Insurance and financial risk management (Continued)

##### (c) Fair value measurement (Continued)

###### (i) Financial assets and liabilities measured at fair value (Continued)

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those non-insurance contract related assets and liabilities (Continued)

Information about Level 3 fair value measurements (Continued)

Change in the relevant equity price risk variable:	2023		2022 (restated)	
	%	Effect on profit after tax and retained profit HK\$'000	%	Effect on profit after tax and retained profit HK\$'000
Trust type fund products				
Increase	NA	NA	NA	NA
Decrease	NA	NA	NA	NA
Unlisted equity				
Increase	3	1,025	3	1,448
Decrease	(3)	(1,030)	(3)	(1,422)
Joint controlled entity				
Increase	10	11,572	10	11,092
Decrease	(10)	(11,572)	(10)	(11,092)
Private credit funds				
Increase	10	30,669	10	38,015
Decrease	(10)	(30,669)	(10)	(38,015)
Preference share liability				
Increase	10	-	10	-
Decrease	(10)	-	(10)	-
Third party interest in consolidated fund				
Increase	10	(10,522)	10	(13,042)
Decrease	(10)	10,522	(10)	13,042

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

#### Financial assets at fair value through profit or loss

	2023	2022
	HK\$'000	(restated) HK\$'000
At 1 January	3,709,622	3,768,014
Purchase/capital injection	484,503	300,958
Settlement on disposal and redemption of products	(76,135)	(302,164)
Net realised loss to profit or loss	(105,945)	(309,011)
Net unrealised (loss)/gain to profit or loss	(164,792)	(23,387)
Net unrealised (loss)/gain to other comprehensive income	(29,143)	98,824
Transfer into level 3	-	378,578
Transfer out of level 3	-	(206,210)
Exchange alignment	2,986	4,020
	<u>3,821,096</u>	<u>3,709,622</u>
At 31 December	<u>3,821,096</u>	<u>3,709,622</u>

#### Financial assets at fair value through other comprehensive income

	2023	2022
	HK\$'000	(restated) HK\$'000
At 1 January	4,081,297	4,883,417
Purchase	18,809	117,000
Settlements	(403,449)	(224,340)
Net realised gain/(loss) to profit or loss	8,490	(72,043)
Net unrealised gain/(loss) to other comprehensive income	24,176	(698,978)
Transfer into level 3	4,296	93,932
Transfer out of level 3	-	(23,157)
Exchange alignment	526	5,466
	<u>3,734,145</u>	<u>4,081,297</u>
At 31 December	<u>3,734,145</u>	<u>4,081,297</u>

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

##### Financial liabilities at fair value through profit or loss

	2023 HK\$'000	2022 HK\$'000
At 1 January	236,362	376,263
Shares redeemed	(3,436)	(87,917)
Distribution to third party investor	(4,820)	(51,256)
Fair value change	(7,745)	(728)
	<u>220,361</u>	<u>236,362</u>
At 31 December	<u>220,361</u>	<u>236,362</u>

#### (ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2023 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2023		<i>Fair value measurements as at 31 December 2023 categorised into</i>		
	<i>Carrying amount</i> HK\$'000	<i>Fair value</i> HK\$'000	<i>Level 1</i> HK\$'000	<i>Level 2</i> HK\$'000	<i>Level 3</i> HK\$'000
Debt securities	27,845,905	26,043,966	2,372,129	22,252,750	1,419,087
Loans and receivables	<u>4,940,090</u>	<u>4,556,018</u>	<u>-</u>	<u>-</u>	<u>4,556,018</u>

	2022 (restated)		<i>Fair value measurements as at 31 December 2022 categorised into (restated)</i>		
	<i>Carrying amount</i> HK\$'000	<i>Fair value</i> HK\$'000	<i>Level 1</i> HK\$'000	<i>Level 2</i> HK\$'000	<i>Level 3</i> HK\$'000
Debt securities	24,124,438	21,457,606	2,258,559	17,658,396	1,540,651
Loans and receivables	<u>5,702,603</u>	<u>5,226,961</u>	<u>-</u>	<u>-</u>	<u>5,226,961</u>

## 4 Insurance and financial risk management (Continued)

### (c) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Loans and receivables - The fair value of mortgage loans is established using a discounted cash flow method based on credit rating, maturity and future income. The fair value for impaired mortgage loans is based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) to the fair value.

### (d) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements

The following summarises gross and net information of derivative assets and liabilities, along with collateral received and posted in connection with a master netting agreement:

	2023					
	Gross	Gross	Net	Due and	Collateral	Net
	amounts	offset	amount	accrued	posted	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other accounts receivable	64,023	(32,620)	31,403	-	-	31,403
Other accounts payable	158,458	(32,620)	125,838	-	-	125,838
Derivative assets	226,601	(5,928)	220,673	3,696	(184,126)	40,243
Derivative liabilities	62,791	(5,928)	56,863	(389)	(28,750)	27,724
	<u>64,023</u>	<u>(32,620)</u>	<u>31,403</u>	<u>3,696</u>	<u>(184,126)</u>	<u>40,243</u>
	<u>158,458</u>	<u>(32,620)</u>	<u>125,838</u>	<u>(389)</u>	<u>(28,750)</u>	<u>27,724</u>

	2022 (restated)					
	Gross	Gross	Net	Due and	Collateral	Net
	amounts	offset	amount	accrued	posted	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other accounts receivable	47,060	(33,984)	13,076	-	-	13,076
Other accounts payable	152,179	(33,984)	118,195	-	-	118,195
Derivative assets	105,067	(9,684)	95,383	3,937	(70,075)	29,244
Derivative liabilities	56,115	(9,684)	46,431	246	(55,376)	(8,699)
	<u>47,060</u>	<u>(33,984)</u>	<u>13,076</u>	<u>3,937</u>	<u>(70,075)</u>	<u>29,244</u>
	<u>152,179</u>	<u>(33,984)</u>	<u>118,195</u>	<u>246</u>	<u>(55,376)</u>	<u>(8,699)</u>

#### 4 Insurance and financial risk management (Continued)

##### (d) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements (Continued)

The Group's principal derivative market risk exposures are interest rate risk, which includes the impact of inflation, and credit risk. Interest rate risk pertains to the change in fair value of the derivative instruments as market interest rates move. The Group is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to minimise credit risk the Group and its derivative counterparties generally enter into master agreements that require collateral to be posted in the amount owed under each transaction, subject to minimum transfer amounts. These same master agreements allow for contracts in a positive position, in which the Group is due amounts, to be offset by contracts in a negative position. This right of offset combined with collateral obtained from counterparties, reduces the Group's exposure. The Group regularly monitors counterparty credit ratings and exposures, derivatives positions and valuations, and the value of collateral posted to ensure counterparties are credit-worthy and the concentration of exposure is minimised. The Group monitors this exposure as part of its management of the Group's overall credit exposures.

If amounts are due from the counterparty, they are reported as an asset. If amounts are due to the counterparty, they are reported as a liability. Negative values in the carrying value of a particular derivative category can result from the counterparty's right to offset carrying value positions in other derivative categories.

The uncertainties about the amount and timing of claims payment are typically resolved within one year.

The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the other accounts receivable and other accounts payable together with derivative financial instruments classified under other payables presented in the consolidated statement of financial position.

	2023	2022
	HK\$'000	(restated) HK\$'000
Net amount of financial assets after offsetting as stated above	31,403	13,076
Financial assets not in scope of offsetting disclosure	81,757	106,723
	<u>113,160</u>	<u>119,799</u>
Net amount of financial liabilities after offsetting as stated above	125,838	118,195
Financial liabilities not in scope of offsetting disclosure	259,725	491,269
	<u>385,563</u>	<u>609,464</u>

#### **4 Insurance and financial risk management (Continued)**

##### **(e) Claims development**

The uncertainties about the amount and timing of claims payment are typically resolved within one year.

##### **(f) Cash flow hedge**

As at 31 December 2023, the group uses bond forward contract to provide cash flow hedge in order to protect from interest rate volatility and re-investment risk and the market yield.

The hedge effectiveness is demonstrated by the contractual term in physical delivery of bond.

The potential sources of ineffectiveness are as below:-

- Change in the delivery date for the hedged items;
- Change in cash level of the portfolio (below the notional amount of the contract) due to mis-payment of coupon or/and principal payment or significant below premium inflow from sales.
- Significant change in credit risk of the counterparty to the forward contract.

The Group assesses the hedge effectiveness at the inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

As at 31 December 2023, bond forward contracts with nominal amount of HK\$2,812,518,000 (2022: HK\$Nil) have maturity of less than 5 years from the reporting date.

## 5 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

### (a) *Actuarial assumptions on liabilities for remaining coverage of insurance contract liabilities*

The process used to determine the assumptions is intended to result in estimates of the most likely outcome with reasonable provisions for possible adverse deviations.

The assumptions that are considered include the expected number and timing of deaths, surrenders, discount rates, renewal expenses and inflation over the period of exposure. Note 27(e) provides detailed information about the actuarial assumptions on liabilities for remaining coverage of insurance and reinsurance contract liabilities.

### (b) *Determination of consolidation scope and business combination*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

Note 21 provides detailed information about the subsidiaries of the Group, Note 22 provides detailed information about key assumptions used in the goodwill impairment assessment.

### (c) *Classification and fair value of derivative and financial instruments*

Under HKFRS 9, classification of financial instruments depends on the contractual cashflow characteristics (the SPPI criteria) and driven by the business model of the entity. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity applies the election to measure at FVOCI. Management judgement is involved throughout the assessment.

The Group selects appropriate valuation techniques for financial instruments which are classified as level 2 and 3 investments in accordance with the Group's material accounting policies. Note 4(c) provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

## 5 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### (d) Expected credit loss estimation

The Group selects appropriate methodology and assumptions in accordance with the Group's material accounting policies. Note 2 provides detailed information about the key assumptions used in the determination of the expected credit loss of financial instruments classified under amortised cost and for debt instruments carried at FVOCI.

## 6 Insurance revenue

	2023 HK\$'000	2022 HK\$'000
<b>Contract not measured under PAA</b>		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided	712,138	714,205
- Change in risk adjustment for non-financial risk for risk expired	(23,263)	21,086
- Expected incurred claims and other insurance service expenses	874,073	820,340
Recovery of insurance acquisition cash flows	719,583	621,254
	<hr/>	<hr/>
<b>Contract measured under PAA</b>	2,282,531	2,176,885
	342,854	269,681
	<hr/>	<hr/>
<b>Total insurance revenue</b>	<u>2,625,385</u>	<u>2,446,566</u>

## 7 Net financial result

The following table analyses the Group's net financial result in profit or loss and other comprehensive income.

	Note	2023 HK\$'000	2022 HK\$'000
<b>Investment return</b>			
Interest revenue calculated using effective interest method	(b)	2,803,589	2,348,294
Other investment revenue/(loss)	(c)	499,248	(2,311,435)
Net impairment loss on financial assets	(d)	(123,011)	(356,385)
Total investment return		<u>3,179,826</u>	<u>(319,526)</u>
<b>Net finance (expenses)/income from insurance contracts</b>			
Change in fair value of underlying items		(502,540)	1,518,483
Interest accreted		(2,527,000)	(1,160,542)
Effect of changes in interest rates and other financial assumptions		(1,334,198)	5,448,296
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(4,606)	(30,502)
Net foreign exchange gain/(loss)		<u>31,738</u>	<u>(21,080)</u>
Total net finance (expenses)/income from insurance contracts	27(a)	(4,336,606)	5,754,655
<b>Net finance income from reinsurance contracts</b>			
Interest accreted		300,877	157,557
Others		(104,598)	24,078
Total net finance income from reinsurance contracts	27(a)	<u>196,279</u>	<u>181,635</u>
Movement in investment contracts		(218,380)	(192,649)
Movement in third party interests consolidated funds		<u>7,879</u>	<u>1,172</u>
<b>Net financial results</b>		<u>(1,171,002)</u>	<u>5,425,287</u>
<b>Net financial results</b>			
Amounts recognised in profit or loss		760,702	(585,176)
Amounts recognised in other comprehensive income		(1,931,704)	6,010,463
		<u>(1,171,002)</u>	<u>5,425,287</u>

## 7 Net financial result (Continued)

### (a) Insurance finance income and expenses

	2023	2022 (restated)
	HK\$'000	HK\$'000
<b>Net finance (expenses)/income from insurance contracts</b>		
Amounts recognised in profit or loss	(2,293,667)	(199,886)
Amounts recognised in other comprehensive income	(2,042,939)	5,954,541
	(4,336,606)	5,754,655
<b>Net finance income from reinsurance contracts</b>		
Amounts recognised in profit or loss	85,044	125,713
Amounts recognised in other comprehensive income	111,235	55,922
	196,279	181,635

### (b) Interest revenue calculated using effective interest method

	2023	2022 (restated)
	HK\$'000	HK\$'000
<b>Interest revenue calculated using effective interest method</b>		
<u>Related to insurance business</u>		
Financial assets measured at amortised cost	1,534,983	1,252,951
Financial assets measured at fair value through other comprehensive income	1,202,420	1,069,192
	2,737,403	2,322,143
<u>Related to other financial services</u>		
Financial assets measured at amortised cost	43,692	11,884
Financial assets measured at fair value through profit or loss	22,494	14,267
	66,186	26,151
<b>Total interest revenue calculated using effective interest method</b>	2,803,589	2,348,294

**7 Net financial result (Continued)**

**(c) Other investment revenue/(loss)**

	2023	2022 (restated)
	HK\$'000	HK\$'000
<u>Related to insurance business</u>		
<i>Underlying items</i>		
<b>Net gains/(losses) of financial instruments designated at FVTPL</b>		
Net unrealised gains/(losses) of debt securities	23,219	(146,211)
<b>Net gains/(losses) of financial instruments mandatorily measured at FVTPL</b>		
Net unrealised gains/(losses) of debt securities	1,728	-
Net unrealised gains/(losses) of equity securities, fund investment and unit trusts	217,786	(1,345,555)
Net realised gains/(losses) of equity securities, fund investment and unit trusts (note (i))	84,036	(95,817)
Net fair value movement on derivatives	(2,301)	-
<b>Net gains/(losses) in respect of financial instruments measured at FVTPL</b>		
	301,249	(1,441,372)
Interest income for financial instruments designated at FVTPL	13,981	5,462
Dividend income from equity instruments measured at FVTPL	117,462	63,140
Others	513	-
	456,424	(1,518,981)

## 7 Net financial result (Continued)

### (c) Other investment revenue/(loss) (Continued)

	2023	2022
	HK\$'000	(restated) HK\$'000
<u>Related to insurance business</u>		
<i>Not underlying items</i>		
<b>At AC/FVOCI</b>		
Net realised losses of debt securities at FVOCI	(48,021)	(121,278)
Net realised gains/(losses) of debt securities at AC (note (ii))	(29,525)	5,421
Net realised losses of loans and deposits	(200)	(17,078)
	<u>(77,746)</u>	<u>(132,935)</u>
<b>At FVTPL</b>		
<b>Net gains/(losses) of financial assets designated as at FVTPL</b>		
Net unrealised gains of debt securities	62	-
<b>Net gains/(losses) of financial instruments mandatorily measured at FVTPL</b>		
Net unrealised gains/(losses) of debt securities	63,767	(422,650)
Net realised (losses)/gains of debt securities	(41,312)	1,273
Net unrealised losses of equity securities, fund investment and others, unit trusts	(103,778)	(357,926)
Net realised gains/(losses) of equity securities, fund investment and others, unit trusts	67,443	(13,001)
Net fair value movement on derivatives	(42,044)	56,005
	<u>(55,862)</u>	<u>(736,299)</u>
Interest income for financial instruments mandatorily measured at FVTPL	108,625	109,996
Dividend income from equity instruments measured at:		
- FVOCI	88	469
- FVTPL	134,674	238,025
Others	32,641	31,607
	<u>142,420</u>	<u>(489,137)</u>

## 7 Net financial result (Continued)

### (c) Other investment revenue/(loss) (Continued)

	2023	2022
	HK\$'000	(restated) HK\$'000
<i><u>Related to other financial business</u></i>		
<b>At FVTPL</b>		
Net unrealised losses of equity securities, fund investment and others	(95,164)	(304,126)
Net realised losses of equity securities, fund investment and others	(30,874)	(44,513)
Net fair value movement on derivatives	10,062	(2,180)
	<u>(115,976)</u>	<u>(350,819)</u>
Dividend income from equity instruments measured at FVTPL	<u>16,380</u>	<u>47,502</u>
	<u>(99,596)</u>	<u>(303,317)</u>
<b>Total other investment revenue/(loss)</b>	<u><u>499,248</u></u>	<u><u>(2,311,435)</u></u>

Notes:

- (i) The realised gain/(loss) on disposal of securities at FVTPL, FVOCI and AC was HK\$84,036,000 during the year, which are related to the insurance contracts with direct participation features (i.e. measured under the variable fee approach).
- (ii) Included in the other investment revenue, there were disposals and derecognition of debt securities at amortised costs resulted from investment risk management, rebalancing of investment portfolio and repayment from debt securities upon maturity.

## 7 Net financial result (Continued)

### (d) Net impairment loss on financial assets

	2023	2022
	HK\$'000	(restated) HK\$'000
<i>Related to insurance business</i>		
<i>Not underlying items</i>		
Impairment loss of amortised cost debt securities	(48,356)	(45,482)
Impairment loss of fair value through other comprehensive income debt securities	(74,655)	(310,903)
<b>Total net impairment loss on financial assets</b>	<b>(123,011)</b>	<b>(356,385)</b>

## 8 Revenue from investment management and other financial services

	2023	2022
	HK\$'000	HK\$'000
Brokerage commission, interest and other service income	20,564	26,664
Subscription, management and rebate fee income	4,638	6,646
Management fee for investment contracts	26,209	33,781
	<u>51,411</u>	<u>67,091</u>

## 9 Other income

	2023	2022
	HK\$'000	HK\$'000
Net gain on deemed partial disposal of associates	9,845	750
Trustee fee income	36,278	36,438
Other income	27,393	18,103
	<u>73,516</u>	<u>55,291</u>

## 10 Expenses

	2023	2022
	HK\$'000	(restated) HK\$'000
Claims and benefits	926,496	751,448
Fees and commissions	2,461,819	1,618,971
Losses and reversal of losses on onerous insurance contracts	(50,016)	198,819
Staff costs (note a)	495,028	498,936
Auditors' remuneration	23,463	12,370
Legal and professional costs	10,506	10,878
Depreciation and amortisation on property and equipment and other intangible assets	188,973	208,674
Impairment loss/(reversal) on:		
- Other accounts receivable	1,967	95
- Other receivables	(6)	14
Information, data and communication expenses	27,334	29,724
Net exchange loss	10,111	16,451
Movement in other contract assets	(13,689)	(15,817)
Others	432,579	415,942
Amounts attributed to insurance acquisition cash flows incurred during the year	(2,878,973)	(2,002,430)
Amortisation of insurance acquisition cash flows	810,973	680,652
	<u>2,446,565</u>	<u>2,424,727</u>
<b>Represented by:</b>		
Insurance service expenses	2,054,008	2,000,819
Other operating expenses	392,557	423,908
	<u>2,446,565</u>	<u>2,424,727</u>

## 10 Expenses (Continued)

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>(a) Staff costs</b>		
Equity-settled share-based payment expenses (reversal) (Note 37)	(1,575)	-
Salaries, allowances and benefits in kind	469,306	467,913
Social welfare	27,297	31,023
	495,028	498,936

Note a: The Group operates the Mandatory Provident Fund Scheme (the “MPF scheme”) for all qualified employees in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 (2022: HK\$30,000). Contributions to the plan vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans. The contributions to the defined contribution plans are expensed as incurred.

There is no forfeited contribution from the defined contribution schemes for the year ended 31 December 2023 and 31 December 2022 that may be used by the Company and its subsidiaries to reduce the existing level of contributions as the contributions are fully vested to the employees immediately upon contributions are made.

During the year, wealth management products and securities brokerage transaction fees approximately amounted to HK\$5,000 (2022: HK\$35,000) were waived as part of staff benefit scheme.

## 11 Finance costs

	2023 HK\$'000	2022 HK\$'000
Bank loan interest	98,570	60,802
Interest on lease liabilities	6,800	7,250
Interest on preference share liability	6,334	10,284
Other interest expense	5,871	454
Shareholder's loan interest	84,551	83,694
	202,126	162,484

## 12 Income tax in the consolidated statement of profit or loss

### (a) Taxation in the consolidated statement of profit or loss represents:

	2023 HK\$'000	2022 (restated) HK\$'000
<b>Current tax</b>		
<u>Hong Kong</u>		
Provision for the year	58,543	46,085
(Over)/under-provision in respect of prior years	(217)	216
<u>Macao</u>		
Provision for the year	54,928	5,640
(Over)/under-provision in respect of prior years	(2,140)	-
<u>Overseas</u>		
Provision for the year	1	13
Under-provision in respect of prior years	-	35
	111,115	51,989
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,234	(4,382)
	112,349	47,607

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

## 12 Income tax in the consolidated income statement (Continued)

### (a) Taxation in the consolidated statement of profit or loss represents: (Continued)

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022-23 subject to a maximum reduction of HK\$10,000 for each business (2022: maximum reduction of HK\$10,000 was granted for the year of assessment 2021-22 and was taken into account in calculating the provision for 2022).

The provision for Macao Complementary Tax is calculated at tax rate of 12.0% (2022: 12.0%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

### (b) Taxation in the consolidated statement of other comprehensive income represents:

	2023	2022 (restated)
	HK\$'000	HK\$'000
<b>Items that will not be reclassified to profit or loss</b>		
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(91)	91
<b>Items that are or maybe reclassified subsequently to profit or loss</b>		
Net movement in the fair value reserve during the year recognised in other comprehensive income	80,553	34,539
Exchange differences arising on translation of results of foreign operations	2,156	(638)
Net finance income/(expense) from insurance contracts	34,098	(122,965)
Net finance (expense)/income from reinsurance contracts	(13,903)	38,250
	102,904	(50,814)
	102,813	(50,723)

## 12 Income tax in the consolidated income statement *(Continued)*

### (c) *Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:*

	2023	2022
	HK\$'000	(restated) HK\$'000
Profit/(loss) before taxation	<u>825,256</u>	<u>(616,730)</u>
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	96,827	(63,548)
Tax effect of (surplus)/deficit transferred from Hong Kong long term individual life business	(28,087)	55,472
Notional tax on net premiums written in respect of Hong Kong long term individual life business	57,721	49,116
Difference in tax in foreign jurisdiction	(62,705)	(13,271)
Tax effect of non-taxable income	(5,911)	(3,004)
Tax adjustment in respect of prior years	(2,357)	251
Tax effect of non-deductible expenses	22,823	60,117
Tax effect of prior year's tax losses utilised this year	5	(68,545)
Tax effect of tax losses not recognised	31,079	33,265
Tax effect of reversal of taxable temporary difference	1,234	(190)
Others	<u>1,720</u>	<u>(2,056)</u>
Tax expenses	<u>112,349</u>	<u>47,607</u>

### 13 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Company (Disclosure of Information about Benefits of Directors) Regulations are as follows:

	2023						
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus (note i) HK\$'000	Contributions to Mandatory Provident Fund HK\$'000	Sub-total HK\$'000	Share-based payments (note ii) HK\$'000	Total HK\$'000
<b>Chairman</b>							
Yu Feng	-	-	-	-	-	-	-
<b>Executive directors</b>							
Fang Lin (note iii)	-	3,883	-	9	3,892	-	3,892
Huang Xin	-	-	-	-	-	-	-
<b>Non-executive directors</b>							
Hai Olivia Ou	240	12	-	-	252	-	252
Adnan Omar Ahmed (note iv)	-	-	-	-	-	-	-
Michael James O' Connor	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
<b>Total</b>	<u>1,332</u>	<u>3,937</u>	<u>-</u>	<u>9</u>	<u>5,278</u>	<u>-</u>	<u>5,278</u>

**Notes:**

- i The discretionary bonus amount represents bonus accrued and approved for the year 2023.
- ii It represents the estimated value of share award granted to the individuals under the Company's share award scheme. The value of these share awards are measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(u).
- iii Appointed as executive director and chief executive officer effective on 10 July 2023.
- iv Resigned as a non-executive director effective on 30 June 2023.

### 13 Directors' emoluments (Continued)

	2022						
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus (note i) HK\$'000	Contributions to Mandatory Provident Fund HK\$'000	Sub-total HK\$'000	Share-based payments (note ii) HK\$'000	Total HK\$'000
<b>Chairman</b>							
Yu Feng	-	-	-	-	-	-	-
<b>Executive directors</b>							
Cheung David	-	5,468	-	500	5,968	-	5,968
Hai Olivia Ou	-	-	-	-	-	-	-
Huang Xin	-	-	-	-	-	-	-
<b>Non-executive directors</b>							
Hai Olivia Ou	99	5	-	-	104	-	104
Adnan Omar Ahmed	-	-	-	-	-	-	-
Michael James O' Connor	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
<b>Total</b>	<u>1,191</u>	<u>5,515</u>	<u>-</u>	<u>500</u>	<u>7,206</u>	<u>-</u>	<u>7,206</u>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

## 14 Individual with highest emoluments

Of the five individuals with the highest emoluments, one (2022: one) is a director whose emoluments is disclosed in note 13. The aggregate of the emoluments in respect of the four (2022: four) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	17,562	29,352
Discretionary bonus	11,760	-
Contributions to Mandatory Provident Fund and retirement scheme contribution	1,184	620
	<u>30,506</u>	<u>29,972</u>

The emoluments of the five (2022: five) individuals with the highest emoluments are within the following bands:

	<i>Number of individuals</i>	
	2023	2022
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$3,500,001 to HK\$4,000,000	1	-
HK\$4,500,001 to HK\$5,000,000	1	-
HK\$5,000,001 to HK\$5,500,000	-	1
HK\$5,500,001 to HK\$6,000,000	-	2
HK\$6,000,001 to HK\$6,500,000	-	1
HK\$6,500,001 to HK\$7,000,000	-	1
HK\$7,000,001 to HK\$7,500,000	1	-
HK\$12,000,001 to HK\$12,500,000	1	-
	<u>1</u>	<u>-</u>

## 15 Earnings /(loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2023 of HK\$397,164,000 (2022 (restated): loss attributable to equity shareholders of the Company of HK\$642,735,000), and the weighted average number of shares in issue during the year ended 31 December 2023 of 3,852,570,006 (2022: 3,852,570,006).

#### **Weighted average number of ordinary shares**

	2023	2022
Issued ordinary shares at 1 January	3,867,991,673	3,867,991,673
Effect of shares held by share award scheme	<u>(15,421,667)</u>	<u>(15,421,667)</u>
Weighted average number of ordinary shares at 31 December	<u>3,852,570,006</u>	<u>3,852,570,006</u>

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2023 of HK\$397,164,000 (2022 (restated): loss attributable to equity shareholders of the Company of HK\$642,735,000), and the weighted average number of shares during the year ended 31 December 2023 of 3,852,570,006 (2022: 3,852,570,006).

#### **Weighted average number of ordinary shares (diluted)**

	2023	2022
Weighted average number of ordinary shares at 31 December	<u>3,852,570,006</u>	<u>3,852,570,006</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,852,570,006</u>	<u>3,852,570,006</u>

## 16 Segment reporting

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

## 16 Segment reporting (Continued)

After the completion of the YF Life acquisition, the Group is largely dominated by the insurance business. As a result, management decided to streamline and regroup the operating segments. Insurance business is considered as an operating segment and other operating segments that existed prior to the acquisition are consolidated as financial services and corporate to reflect the long term business development focus.

Consequently, the Group currently has two operating segments:

- (i) Insurance business - engage in the writing of long term assurance business, which is operated by YF Life.
- (ii) Other financial services and corporate includes
  - a) Securities brokerage - engages in securities brokerage and provision of custodian and other services;
  - b) Wealth and asset management - provision of fund and asset management services as well as financing and investing solution for corporate clients;
  - c) Consultancy and advisory services - provision of corporate advisory, placing and underwriting advisory services to corporate clients;
  - d) Principal investment - utilise capital 1) to provide funding on developing financial products and the funds managed by wealth management team 2) to improve returns on the Group's capital and cash flow management based on treasury management model that may involve (but shall not be limited to) holding fixed income instruments, high grade equity instruments and other financial investments;
  - e) Financial technology activities - includes administrative expenses, research and development costs, staff costs and data and technology related expenses related to the Group's financial technology activities to support other financial services function; and
  - f) Corporate service includes central administrative and financing functions to support other operating segments.

The accounting policies of the reportable segments are the same as those followed by the Group in the last annual financial statements.

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating and finance costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision maker, at the relevant times, for the purposes of resource allocation and performance assessment.

## 16 Segment reporting (Continued)

### (a) Segment revenue and results

For the year ended 31 December 2023

	<i>Insurance business</i> HK\$'000	<i>Other financial services and corporate</i> HK\$'000	<i>Total</i> HK\$'000
Insurance revenue	2,625,385	-	2,625,385
Insurance service expenses	(2,054,008)	-	(2,054,008)
Net expenses from reinsurance contracts	(26,257)	-	(26,257)
Insurance service result	545,120	-	545,120
Allocated revenue from investment management and other financial services	26,209	25,202	51,411
Revenue from external party	571,329	25,202	596,531
Inter-segment income	8,357	-	8,357
Reportable segment revenue	579,686	25,202	604,888
Allocated investment return	3,213,236	(33,410)	3,179,826
Net finance expenses from insurance contracts	(2,293,667)	-	(2,293,667)
Net finance income from reinsurance contracts	85,044	-	85,044
Movement in Investment contracts	(218,380)	-	(218,380)
Movement in financial liabilities related to third party interest in consolidated funds	-	7,879	7,879
Allocated other income	62,869	10,647	73,516
Allocated operating costs	(257,608)	(139,773)	(397,381)
Allocated finance costs	(6,406)	(12,600)	(19,006)
Share of profit of equity-accounted investees, net of tax	-	(10,810)	(10,810)
Reportable segment profit/(loss)	1,164,774	(152,865)	1,011,909
Elimination of inter-segment loss			(3,533)
Reportable segment profit derived from Group's external customers			1,008,376
Unallocated finance costs			(183,120)
Taxation			(112,349)
Profit for the year			712,907
Depreciation and amortisation on property and equipment and other intangible assets	174,586	14,387	188,973
Bank interest income	91,712	43,692	135,404
Reportable segment assets (including investment in associates and those identified intangible asset at acquisition of YF Life, cash and cash equivalent and fixed bank deposits with original maturity over 3 months)	85,805,269	2,523,185	88,328,454
Additions to non-current segment assets during the year other than associates	163,974	472	164,446
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	4,309,864	923,058	5,232,922
Investment in associates	-	121,500	121,500
Reportable segment liabilities (including those identified deferred tax liabilities at acquisition of YF Life)	(69,681,193)	(4,062,881)	(73,744,074)

## 16 Segment reporting (Continued)

For the year ended 31 December 2022 (restated)

	<i>Insurance business</i> HK\$'000	<i>Other financial services and corporate</i> HK\$'000	<i>Total</i> HK\$'000
Insurance revenue	2,446,566	-	2,446,566
Insurance service expenses	(2,000,819)	-	(2,000,819)
Net expenses from reinsurance contracts	(5,337)	-	(5,337)
Insurance service result	440,410	-	440,410
Allocated revenue from investment management and other financial services	33,781	33,310	67,091
Revenue from external party	474,191	33,310	507,501
Inter-segment income	(626)	3,445	2,819
Reportable segment revenue	473,565	36,755	510,320
Allocated investment return	(42,360)	(277,166)	(319,526)
Net finance expenses from insurance contracts	(199,886)	-	(199,886)
Net finance income from reinsurance contracts	125,713	-	125,713
Movement in Investment contracts	(192,649)	-	(192,649)
Movement in financial liabilities related to third party interest in consolidated funds	-	1,172	1,172
Allocated other income	53,508	1,783	55,291
Allocated operating costs	(234,787)	(194,940)	(429,727)
Allocated finance costs	(6,613)	(11,373)	(17,986)
Share of profit of equity-accounted investees, net of tax	-	(7,954)	(7,954)
Reportable segment profit/(loss)	(23,509)	(451,723)	(475,232)
Elimination of inter-segment loss			3,000
Reportable segment profit derived from Group's external customers			(472,232)
Unallocated finance costs			(144,498)
Taxation			(47,607)
Loss for the year			(664,337)
Depreciation and amortisation on property and equipment and other intangible assets	192,591	16,083	208,674
Bank interest income	-	11,884	11,884
Reportable segment assets (including investment in associates and those identified intangible asset at acquisition of YF Life, cash and cash equivalent and fixed bank deposits with original maturity over 3 months)	77,003,887	2,969,697	79,973,584
Additions to non-current segment assets during the year other than associates	176,075	5,987	182,062
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	3,379,828	793,046	4,172,874
Investment in associates	-	132,012	132,012
Reportable segment liabilities (including those identified deferred tax liabilities at acquisition of YF Life)	(61,400,916)	(4,168,387)	(65,569,303)

## 16 Segment reporting (Continued)

### (b) Reconciliation of segment assets and liabilities

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>Assets</b>		
Reportable segment assets	88,328,454	79,973,584
Elimination of inter-segment asset transfer	(9,033)	(5,500)
Elimination of inter-segment receivables	(66,617)	(66,617)
	<u>88,252,804</u>	<u>79,901,467</u>
Goodwill	1,825,562	1,825,562
Deferred tax assets	70,910	42,245
Tax recoverable	45	-
	<u>90,149,321</u>	<u>81,769,274</u>
<b>Liabilities</b>		
Reportable segment liabilities	73,744,074	65,569,303
Elimination of inter-segment payables	(67,367)	(67,367)
	<u>73,676,707</u>	<u>65,501,936</u>
Tax payable	67,545	5,640
	<u>73,744,252</u>	<u>65,507,576</u>

### (c) Geographical segment information

The Group's customers, operation and administration are mainly located in Hong Kong and Macao. Research and development for financial technologies divisions are located in PRC.

### (d) Information about major customers

No customer account for more than 10% of the total revenue of the Group for the year ended 31 December 2023.

## 16 Segment reporting (Continued)

### (e) Net operating income

For management decision making and internal performance management purpose, the Group refers to the adjusted net operating income representing the core business activities of the Group. Accordingly, the adjusted net operating income is derived from profit after tax adjusting for below items:

#### Insurance business segment

Short-term fluctuations in investment returns – a) difference between expected long-term distribution based on assumption applied in calculation of Embedded Value and actual distribution received and fair value through profit and loss adjustment in relation to equity and fund investment excluding mutual fund for the period/year. b) The realised gain/loss on disposal of investment and expected credit loss recorded being considered short term investment return fluctuation which is not consistent with long term investment allocation strategy.

Short-term fluctuations in discount rate impact applied to the change of fulfilment cashflow of insurance contract liability that is accounted through profit and loss, which is adjusted under net operating income to reflect the economic core business performance.

Short-term fluctuation exchange rate causes the difference between derivative instruction market to market gain/loss and net exchange impact of net asset position denominated in foreign currencies. The related impact to profit or loss is considered not relevant to management operational nor financial decision making progress.

Other items – those are considered either non-recurring in nature and/or considered by management not relevant for evaluation of core business operation result.

#### Other financial service segment

Investment return related to principal investment activity not related to internal performance management purpose.

Finance costs related to long term borrowings for strategic investment is considered not relevant for evaluation of core business operation result.

Staff share award/option related expenses considered not relevant for evaluation of core business operation result.

Other items – those are considered either non-recurring in nature and/or considered by management not relevant for evaluation of operation result.

**16 Segment reporting (Continued)**

	2023 HK\$'000	2022 HK\$'000
Insurance business segment net operating income	1,036,300	969,900
Other financial services and corporate segment net operating loss	(45,800)	(120,000)
	990,500	849,900
<b>Net operating income</b>	<b>990,500</b>	<b>849,900</b>
Adjust for the following profit or loss and expenses impact:		
Insurance business		
- Short-term fluctuations in investment returns, discount rate and exchange rate including fair value adjustments and the related subsequent change of the adjustments on acquisition of YF Life	(54,800)	(1,030,400)
- Other items	64,000	(11,000)
Other financial services		
- Investment return related to principal investment activity	(100,900)	(305,400)
- Finance costs related to long term borrowings	(183,121)	(144,498)
- Staff share award/option related expenses	1,575	-
- Other items	(4,347)	(22,939)
	712,907	(664,337)
<b>Profit/(loss) for the year</b>	<b>712,907</b>	<b>(664,337)</b>

## 17 Other comprehensive income

### *Reclassification adjustments relating to components of other comprehensive income*

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>Debt securities classified as fair value through other comprehensive income:</b>		
Changes in fair value recognised during the year	1,145,888	(6,599,108)
<b>Reclassification adjustments for amounts transferred to profit or loss:</b>		
Net losses on disposal	48,021	121,278
Impairment losses	74,655	310,903
Exchange alignment	-	-
	<hr/>	<hr/>
<b>Net movement in the fair value reserve during the year recognised in other comprehensive income</b>	<u>1,268,564</u>	<u>(6,166,927)</u>

## 18 Property and equipment

	<i>Properties leased for own use</i> HK\$'000	<i>Motor vehicle</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Office equipment and furniture</i> HK\$'000	<i>Computers equipment</i> HK\$'000	<i>Total</i> HK\$'000
Cost						
At 1 January 2022	503,904	-	85,280	40,816	407,461	1,037,461
Additions	89,459	-	16,414	2,290	73,898	182,061
Write off and disposal	(250,191)	-	(20,463)	(1,767)	(16,446)	(288,867)
Exchange alignment	432	-	(204)	(192)	309	345
<b>At 31 December 2022</b>	<u>343,604</u>	<u>-</u>	<u>81,027</u>	<u>41,147</u>	<u>465,222</u>	<u>931,000</u>
At 1 January 2023	343,604	-	81,027	41,147	465,222	931,000
Additions	105,450	2,813	7,213	4,293	29,589	149,358
Write off and disposal	(41,428)	-	(7,865)	(4,276)	(3,618)	(57,187)
Exchange alignment	49	5	16	(29)	158	199
<b>At 31 December 2023</b>	<u>407,675</u>	<u>2,818</u>	<u>80,391</u>	<u>41,135</u>	<u>491,351</u>	<u>1,023,370</u>

**18 Property and equipment (Continued)**

	<i>Properties leased for own use</i> HK\$'000	<i>Motor vehicle</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Office equipment and furniture</i> HK\$'000	<i>Computers equipment</i> HK\$'000	<i>Total</i> HK\$'000
Accumulated depreciation and impairment						
At 1 January 2022	254,626	-	15,133	13,191	42,724	325,674
Charge for the year	127,775	-	36,642	8,965	34,330	207,712
Write off and disposal	(244,053)	-	(18,505)	(1,564)	(12,195)	(276,317)
Exchange alignment	144	-	(148)	(199)	(137)	(340)
<b>At 31 December 2022</b>	<u>138,492</u>	<u>-</u>	<u>33,122</u>	<u>20,393</u>	<u>64,722</u>	<u>256,729</u>
At 1 January 2023	138,492	-	33,122	20,393	64,722	256,729
Charge for the year	113,591	884	28,008	9,320	36,586	188,389
Write off and disposal	(38,665)	-	(7,865)	(4,262)	(3,607)	(54,399)
Exchange alignment	108	1	39	(25)	68	191
<b>At 31 December 2023</b>	<u>213,526</u>	<u>885</u>	<u>53,304</u>	<u>25,426</u>	<u>97,769</u>	<u>390,910</u>
Net carrying amount						
<b>At 31 December 2023</b>	<u>194,149</u>	<u>1,933</u>	<u>27,087</u>	<u>15,709</u>	<u>393,582</u>	<u>632,460</u>
<b>At 31 December 2022</b>	<u>205,112</u>	<u>-</u>	<u>47,905</u>	<u>20,754</u>	<u>400,500</u>	<u>674,271</u>

## 18 Property and equipment (Continued)

### Right of use asset

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

	2023 HK\$'000	2022 HK\$'000
Ownership interests in leasehold land and building held for own use with remaining lease term of:		
- Less than 10 years	194,149	205,112
Office equipment and furniture carried at depreciated cost	3,575	5,915
Computers equipment carried at depreciated cost	2,980	5,422
	<u>200,704</u>	<u>216,449</u>

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

	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset		
Properties leased for own use	113,591	127,775
Office equipment and furniture	4,199	4,292
Computers equipment	2,245	2,358
	<u>120,035</u>	<u>134,425</u>

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	6,800	7,250
Expense relating to short-term leases and other leases	<u>11,924</u>	<u>976</u>

During the year, additions to right-of-use assets were HK\$107,776,000 (2022: HK\$95,539,000). This amount is primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities as of 31 December 2023 are set out in Notes 26 and 33, respectively.

As of 31 December 2023, there are no leases subject to variable lease payment arrangement.

## 19 Statutory deposits

	2023 HK\$'000	2022 HK\$'000
Statutory deposits	<u>4,193</u>	<u>5,142</u>

The Group has deposited in the name of the Director of Accounting Services with a bank a sum of HK\$1,558,000 (2022: HK\$1,555,000) pursuant to section 77(2)(e) of the Hong Kong Trustee Ordinance and also with the exchanges and clearing house.

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

## 20 Investment in associates

Aggregate information of associates that are not individually material:

	2023 HK\$'000	2022 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	121,500	132,012
Aggregate amounts of the Group's share of those associates'		
Profit/(loss) from continuing operations	(10,810)	(7,954)
Other comprehensive income	(9,546)	(9,603)
Total comprehensive income	<u>(20,356)</u>	<u>(17,557)</u>

## 21 Interests in subsidiaries

### (a) Details of the subsidiaries principally affected the results and assets of the Group

The following list contains the details of the Company's subsidiaries as at which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particular of issued shares/registered and fully paid-up capital (note 1)	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yunfeng Asset Management Limited	Hong Kong	7,910,000 shares	100%	-	100%	Provision of assets management services
Yunfeng Securities Limited	Hong Kong	158,000,000 shares	100%	-	100%	Securities broking
Yunfeng Financial Markets Limited	Hong Kong	125,000,000 shares	100%	100%	-	Securities broking, securities placing and underwriting, and provision of consultancy and advisory services
Youyu Insurance Consultancy Limited	Hong Kong	100 shares	100%	-	100%	Insurance agency and consultancy service
Youyu eKeeper Services Company Limited	Hong Kong	1 share	100%	-	100%	Provision of employee stock ownership plan administration
Youyu Smart Technologies Limited	Hong Kong	7,500,000 shares	100%	-	100%	Provision of financial technology services
Yunfeng Financial International Holdings Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Yuvan Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Youyu Global Limited	Hong Kong	1 share	100%	100%	-	Provision of administrative services
YF Life Insurance International Limited	Hong Kong	3,716,000,000 shares	69.8%	-	69.8%	Long term assurance business
Protective Capital (International) Limited	Hong Kong	78,610,000 shares	69.8%	-	69.8%	Provision of general services
YF Life Services Limited	Hong Kong	2 shares	69.8%	-	69.8%	Provision of general services
YF Life Guardian Limited	Hong Kong	2 shares	69.8%	-	69.8%	Provision of general services
YF Life Trustees Limited	Hong Kong	73,000,000 shares	69.8%	-	69.8%	Provision of trustee services

## 21 Interests in subsidiaries (Continued)

### (a) Details of the subsidiaries principally affected the results and assets of the Group (Continued)

Name of company	Place of incorporation and business	Particular of issued shares/registered and fully paid-up capital (note 1)	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
YF Life Consultants Limited	Hong Kong	50,000 shares	69.8%	-	69.8%	Provision of general services
YF Life Investors Limited	Hong Kong	5,000,000 shares	69.8%	-	69.8%	Provision of general services
北京雲鋒環球投資諮詢有限公司 (note 2)	PRC	Registered capital RMB 70,000,000 Paid-up capital RMB48,022,624	100%	-	100%	Provision of advisory service, marketing and promoting products and public relations services
深圳市有魚智能科技有限公司 (note 3)	PRC	Registered capital RMB 100,000,000 Paid-up capital RMB8,010,000	100%	-	100%	Technological development of computer software and hardware, technical consulting, technology services, database and computer network services
Majik Cayman GP 1 Limited	Caymans Island	1 share of US\$1 each	100%	-	100%	Fund management
Majik Cayman GP 2 Limited	Caymans Island	1 share of US\$1 each	100%	-	100%	Fund management
Majik Cayman SPV 3 Limited	Caymans Island	Authorised capital US\$50,000 divided into 2,500,000 preferred shares and 2,500,000 ordinary shares. Each share is at US\$0.01 par value each. 250,100 common shares and 247,092.27 preferred shares issued	100%	-	100% common share	Investment holdings
Majik Access USD Fund 1 L.P.	Caymans Island	US\$114.2 million	65.7%	-	65.7%	Investment

Note 1: The class of shares held is ordinary shares unless otherwise stated.

Note 2: The company is registered as a wholly foreign-owned enterprise under the laws of the PRC.

Note 3: The company is registered as a limited liability company under the laws of the PRC.

Note 4: For the fund partnership entities, the balance represents capital commitment being made by limited partners to the partnership.

## 21 Interests in subsidiaries (Continued)

### (b) Information about material non-controlling interest

The following table lists out the information relating to YF Life, the only subsidiary with material non-controlling interest (“NCI”) as at 31 December 2023. The summarised financial information presented below represents the amounts including intangible assets identified on acquisition date before any inter-company elimination.

	2023	2022
	HK\$'000	(restated) HK\$'000
NCI percentage	30.2%	30.2%
Total assets	85,876,127	77,046,010
Total liabilities	(69,748,737)	(61,406,632)
Total net assets	16,127,390	15,639,378
Net assets attributable to NCI	4,870,472	4,723,092
Goodwill attributable to NCI	531,276	531,276
Carrying amount of NCI	5,401,748	5,254,368
Insurance service result	546,477	439,784
Profit for the year	1,045,505	(71,529)
Total comprehensive income	488,011	(244,961)
Profit allocated to NCI	315,743	(21,602)
Dividend paid to NCI	-	-
Cash flows from operating activities	7,301,652	7,559,492
Cash flows from investing activities	(5,990,252)	(7,818,956)
Cash flows from financing activities	(347,144)	(235,938)

## 22 Goodwill and other intangible assets

### (a) Goodwill

	2023	2022
	HK\$'000	(restated) HK\$'000
At 1 January and 31 December	1,829,046	1,829,046
Accumulated impairment loss		
At 1 January and 31 December	3,484	3,484
Carrying amount		
At 1 January and 31 December	1,825,562	1,825,562

## 22 Goodwill and other intangible assets (Continued)

### (a) Goodwill (Continued)

The recoverable amount of the cash generating units containing goodwill or intangible assets arose from the acquisition of YF Life was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what the cash generating units are able to achieve in their business life. The Directors determined the cash flow projection based on past performance and their expectation for market development. The Directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determines that there are no impairments of its cash generating units containing goodwill and intangible assets.

In respect of insurance business, the recoverable amount was determined based on YF Life appraisal value, which consists of the adjusted net worth plus the present value of inforce business and the new business value after cost of capital.

#### Impairment test for goodwill

Goodwill arises primarily in respect of the Group's insurance business. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit, including goodwill, to the recoverable amount of that cash-generating unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the goodwill allocated to that unit shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit. The present value of expected future new business, covering a ten year period (in line with industry practice), is based on financial budgets approved by management. The financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section "Embedded Value". The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that is used in the embedded value of the business and the present value of expected future new business is 8.75% (2022: 8.75%).

## 22 Goodwill and other intangible assets (Continued)

### (b) Other intangible assets

	Trade name HK\$'000	Trading rights HK\$'000	Club membership HK\$'000	Computer software HK\$'000	Total HK\$'000
At cost					
At 1 January 2022	78,910	4,000	2,930	9,332	95,172
Exchange alignment	106	-	-	(206)	(100)
At 31 December 2022 and 1 January 2023	79,016	4,000	2,930	9,126	95,072
Additions	-	-	15,000	88	15,088
Exchange alignment	21	-	24	(63)	(18)
At 31 December 2023	79,037	4,000	17,954	9,151	110,142
Accumulated amortisation and impairment					
At 1 January 2022	-	3,500	-	7,030	10,530
Charge for the year	-	-	-	962	962
Exchange alignment	-	-	-	(71)	(71)
At 31 December 2022 and 1 January 2023	-	3,500	-	7,921	11,421
Charge for the year	-	-	-	584	584
Exchange alignment	-	-	-	(38)	(38)
At 31 December 2023	-	3,500	-	8,467	11,967
Carrying amount					
At 31 December 2023	79,037	500	17,954	684	98,175
At 31 December 2022	79,016	500	2,930	1,205	83,651

## 22 Goodwill and other intangible assets *(Continued)*

As at 31 December 2023, the Group had two (2022: two) trading rights in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and one (2022: one) trading right in the Hong Kong Futures Exchange Limited (the “Futures Exchange”), of which one trading rights in the Stock Exchange and one trading right in the Futures Exchange were fully amortised as at 31 December 2010. The Group has two (2022: one) club membership with indefinite useful life similar to the trading rights.

Trade name acquired in the acquisition of YF Life, which is subject to annual impairment test. The relief-from-royalty approach is adopted to determine the fair value of trade name. At the end of each reporting period, the management of the Group reassessed the assumptions of this approach. As at 31 December 2023, the valuation of the Chinese trade name is determined based on the relevant value of new business estimated by YF Life. The trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite.

## 23 Investments

	Note	Underlying items			Others					Total HK\$'000
		Participating	Unit-linked	Sub-total HK\$'000	AC	FVOCI	FVTPL	FV – hedging instrument	Sub-total	
		FVTPL HK\$'000	FVTPL HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 31 December 2023</b>										
<b>Financial investments</b>										
Debt securities	(b)	1,079,028	-	1,079,028	27,845,905	25,758,601	2,298,705	-	55,903,211	56,982,239
Loan and receivables	(b)	-	-	-	4,940,090	-	-	-	4,940,090	4,940,090
Unit trusts	(b)	1,785,998	5,747,603	7,533,601	-	-	1,053,762	-	1,053,762	8,587,363
Listed equity and other securities	(b)	-	-	-	-	-	276,593	-	276,593	276,593
Unlisted equity and other securities	(b)	290,602	-	290,602	-	-	2,829,037	-	2,829,037	3,119,639
Listed equity securities	(c)	-	-	-	-	-	-	-	-	-
		<u>3,155,628</u>	<u>5,747,603</u>	<u>8,903,231</u>	<u>32,785,995</u>	<u>25,758,601</u>	<u>6,458,097</u>	<u>-</u>	<u>65,002,693</u>	<u>73,905,924</u>
Derivative assets	(a)	285	-	285	-	-	149,632	70,756	220,388	220,673
		<u>3,155,913</u>	<u>5,747,603</u>	<u>8,903,516</u>	<u>32,785,995</u>	<u>25,758,601</u>	<u>6,607,729</u>	<u>70,756</u>	<u>65,223,081</u>	<u>74,126,597</u>
Derivative liabilities	(a)	-	-	-	-	-	298,003	-	298,003	298,003

## 23 Investments (Continued)

	Note	Underlying items			Other					
		Participating	Unit-linked		AC	FVOCI	FVTPL	FV – hedging instrument	Sub-total	Total
		FVTPL HK\$'000	FVTPL HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2022 (restated)</b>										
<b>Financial investments</b>										
Debt securities	(b)	273,730	-	273,730	24,124,438	22,122,002	2,389,195	-	48,635,635	48,909,365
Loan and receivables	(b)	-	-	-	5,702,603	-	-	-	5,702,603	5,702,603
Unit trusts	(b)	1,716,843	5,684,973	7,401,816	-	-	1,249,314	-	1,249,314	8,651,130
Listed equity and other securities	(b)	-	-	-	-	-	416,443	-	416,443	416,443
Unlisted equity and other securities	(b)	151,691	-	151,691	-	-	2,759,931	-	2,759,931	2,911,622
Listed equity securities	(c)	-	-	-	-	68,232	-	-	68,232	68,232
		2,142,264	5,684,973	7,827,237	29,827,041	22,190,234	6,814,883	-	58,832,158	66,659,395
Derivative assets	(a)	137	-	137	-	-	95,246	-	95,246	95,383
		2,142,401	5,684,973	7,827,374	29,827,041	22,190,234	6,910,129	-	58,927,404	66,754,778
Derivative liabilities	(a)	-	-	-	-	-	117,508	-	117,508	117,508

## 23 Investments (Continued)

On 28 February 2018, the Group has entered a strategic fund management agreement with another well-established financial institution. By sharing the operating and financing decision making power through the agreement, the Group is no longer considered to be the principal of Majik Access USD Fund 2 LP. After the deconsolidation, the Group elects to measure its 34.04% investment holding in Majik Access USD Fund 2 LP held through a venture capital organisation, an indirect wholly-owned subsidiary, at fair value through profit or loss as management measures the performance of this jointly controlled entity on a fair value basis and considered to be exempted from applying the equity method. The valuation process and fair value information for the joint venture measured at fair value through profit or loss set out in Note 4. As of 31 December 2023, the carrying value of the jointly controlled entity amounted to HK\$115 million (31 December 2022: HK\$111 million).

Certain fund and other investments of HK\$18,717,825,000 (2022: HK\$16,508,677,000) have been pledged in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

Notes:

### (a) Derivatives

The Group uses derivatives to provide economic hedges as part of its assets and liabilities management activities. The following table analyses the Group's derivatives by type of instrument.

	2023		2022	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
<b>Underlying items</b>				
<b>Not designated as hedging instruments</b>				
Forward contracts	285	-	137	-
	<u>285</u>	<u>-</u>	<u>137</u>	<u>-</u>
<b>Others</b>				
<b>Designated as hedging instruments in net investment hedges</b>				
Bond forward	70,756	35,269	-	-
<b>Not designated as hedging instruments</b>				
Currency swaps	147,925	15,416	90,292	35,115
Forward contracts	1,708	6,178	4,954	11,316
Collateral	-	184,126	-	70,075
Short position in listed equity	-	57,014	-	1,002
	<u>220,389</u>	<u>298,003</u>	<u>95,246</u>	<u>117,508</u>
	<u>220,674</u>	<u>298,003</u>	<u>95,383</u>	<u>117,508</u>

For more information about how the Group manages its market risks, see Note 4(d).

## 23 Investments (Continued)

Notes: (Continued)

(b) Financial assets designated as at FVTPL

Certain debt investments have been designated as at FVTPL (see Note 2(j)). At 31 December 2023, the maximum exposure to credit risk of these financial assets was their carrying amount of HK\$295,980,000 (2022: HK\$273,730,000). The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

(c) Equity investments designated as at FVOCI

The Group has designated the following equity investments as at FVOCI because it intends to hold them for the long term in order to match with the long duration of insurance contracts measured under the general measurement model (“GMM”). Dividend income of HK\$88,000 was received on these investments during the year (2022: HK\$469,000).

	<i>Fair value at 31 December</i>		<i>Dividend income recognised</i>	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:				
- Listed in United States (“US”)	-	20,982	-	469
- Listed in Canada	-	-	-	-
- Listed in Hong Kong	-	47,250	88	-
	-	68,232	88	469
	-	68,232	88	469

During the year ended 31 December 2023, several US and Hong Kong equity investments designated at FVOCI were considered to be no longer aligned with the investment strategy since purchase and were disposed at HK\$79,360,000 (2022: several Canada and Hong Kong equity investments disposed at HK\$28,407,000) with realised loss of HK\$20,787,000 (2022: HK\$58,383,000).

## 23 Investments (Continued)

Notes: (Continued)

(d) Interests in collective investment schemes

- (i) Included in financial assets designated at fair value through profit or loss on the consolidated statement of financial position are certain investments in collective investment schemes which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These collective investment schemes include investments in unit trusts and limited liability partnership established by third parties. These schemes provide the group with a variety of investment opportunities through managed investment strategies.

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk (see note 4) and the capital commitments. The maximum exposure to loss, which represents the maximum loss that the group could be required to report as a result of its involvement with these collective investment schemes regardless of the probability of the loss being incurred, is equivalent to the carrying amount of these investments (see note 4).

- (ii) In addition, the group's subsidiary, YF Life Trustees Limited is the sponsor of Mass Mandatory Provident Fund scheme ('MPF scheme') as specified in the respective trust deeds. Management fee and trustee fee income that the group recognised in profit or loss in return for the administration services provided to MPF Scheme that the group sponsored amounted to HK\$40,282,000 (2022: HK\$40,516,000) for the year.

The policyholders invest directly into such MPF scheme, as such, the group did not transfer any of its own assets into these schemes during the reporting period. Management actively monitor the compliance with the respective regulation requirements in order to minimise losses arising from reputational risk and regulatory compliance risk.

## 24 Other accounts receivable and accrued income

	2023 HK\$'000	2022 HK\$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	42,391	72,579
- Margin clients	27,016	8,689
- Clients for subscription of new shares in IPO	-	-
- Clearing house, brokers, fund managers and dealers	41,313	31,578
	<u>110,720</u>	<u>112,846</u>
Other accounts receivable arising from consultancy and advisory services	1,134	1,134
Other service fees receivables	5,244	7,848
	<u>117,098</u>	<u>121,828</u>
Less: allowance for credit losses	(3,938)	(2,029)
	<u><u>113,160</u></u>	<u><u>119,799</u></u>

There is no balance of other accounts receivable from consultancy and advisory services for on-going advisory projects which have not been billed.

The fair value of other accounts receivable approximates its carrying amount.

## 24 Other accounts receivable and accrued income (Continued)

### (a) Ageing analysis of other accounts receivable

The ageing analysis of other accounts receivable net of allowance for credit losses as of the end of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000
Current	112,690	117,579
Less than 1 month past due	66	208
1 to 3 months past due	21	152
More than 3 months past due	383	1,860
Amounts past due	470	2,220
	113,160	119,799

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's creditworthiness.

### (b) Other accounts receivable which are past due but not impaired

Included in the Group's other accounts receivable balance are debtors with an aggregate carrying amount of HK\$470,000 (2022: HK\$2,220,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

As of 31 December 2023 and 2022, no amount due from cash clients which are past due but not impaired represented client trades which are unsettled beyond the settlement date.

There are no other accounts receivable from corporate clients (2022: Nil) and amount of HK\$470,000 of other fee receivable (2022: HK\$2,220,000) which are past due but not impaired. These represent other accounts receivable arising from provision of corporate finance, consultancy and advisory services and other financial services which have not yet been settled and aged by their invoice date. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation.

## 24 Other accounts receivable and accrued income *(Continued)*

### (c) *Impairment of other accounts receivable*

The Group has a policy for allowance for credit losses which is based on the evaluation of collectability, ageing analysis of accounts and management's judgement including the creditworthiness, collaterals and the past collection history of each client.

The movement of the allowance for life time credit impaired losses during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	2,029	1,934
Provision for impairment loss recognised	1,977	112
Amount recovered during the year	(10)	(17)
Written off	(58)	-
	<u>3,938</u>	<u>2,029</u>
At 31 December	<u>3,938</u>	<u>2,029</u>

Amount of HK\$1,024,000 (2022: HK\$895,000) relates to credit impaired other accounts receivable arising from the business of dealing in securities. HK\$1,134,000 (2022: HK\$1,134,000) relates to credit impaired other accounts receivable arising from the business of consultancy and advisory services. HK\$1,780,000 (2022: Nil) relates to credit impaired other service fees receivables.

### (d) *Balance with related parties*

At 31 December 2023, the balance of other service fee receivables includes fund management fee of approximately HK\$1,592,000 (2022: HK\$1,122,000) due from a joint venture of the Group.

## 25 Other receivables, deposits and prepayment

	Note	2023 HK\$'000	2022 (restated) HK\$'000
Utility and rental deposits	(i)	43,464	45,904
Loans to agents and staff		68,758	57,486
Accrued investment income		745,860	669,978
Prepayment, other deposits and receivables		6,643	6,644
Other receivable from non-controlling shareholders of a subsidiary		131,407	132,890
		<u>996,132</u>	<u>912,902</u>
Less: allowance for credit losses	(ii)	<u>(8,416)</u>	<u>(8,423)</u>
		<u>987,716</u>	<u>904,479</u>

Notes:

(i) The amount of utility and rental deposits expected to be recovered after more than one year is HK\$39,312,000 (2022: HK\$32,477,000).

(ii) Impairment of other receivables

Other receivable of HK\$8,416,000 (2022: HK\$8,423,000) is fully impaired as the recoverability of the balance is considered uncertain after credit assessment performed by management.

The movement of the allowance for credit losses during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	8,423	8,410
(Reversal)/provision of impairment loss recognised	(6)	14
Amount written off	-	-
Exchange alignment	(1)	(1)
	<u>8,416</u>	<u>8,423</u>
At 31 December	<u>8,416</u>	<u>8,423</u>

(iii) Except for those mentioned above in (i), all of the other receivables are expected to be recovered within one year.

**26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts**

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
<u>Bank balance - trust and segregated accounts</u>			
Deposit with bank		295,320	509,653
Less: impairment allowance	(iii)	(154)	(154)
	(i)	295,166	509,499
<u>Fixed bank deposits with original maturity over 3 months</u>			
Deposit with bank		1,259,134	1,624,973
Less: impairment allowance	(iii)	-	-
		1,259,134	1,624,973
<u>Cash and cash equivalents</u>			
Deposit with bank	(ii)	26,655	23,836
Fixed bank deposits with original maturity less than 3 months		2,633,265	889,548
Cash at bank and in hand		1,313,982	1,634,631
Less: impairment allowance	(iii)	(114)	(114)
Cash and cash equivalents in the statement of financial position		3,973,788	2,547,901

Notes:

- (i) The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.
- (ii) The Group has made deposit with a bank as security deposit for bank overdraft facilities.
- (iii) During the year, the movement of 12-month ECL provision is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	268	268
Reversal of impairment loss recognised	-	-
Amount written off	-	-
At 31 December	268	268

- (iv) The Group has pledged fixed deposits of HK\$907,291,000 (2022: HK\$856,494,000) to banks in favour of the Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

**26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (Continued)**

**(a) Reconciliation to liabilities arising from financing activities for disclosure purpose**

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 Group's consolidated statement of cash flows as cash flows from financing activities.

	<i>Policyholders' deposit</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Preference shares</i> HK\$'000	<i>Lease liabilities</i> HK\$'000	<i>Shareholder's loan</i> HK\$'000	<i>Total</i> HK\$'000
At 31 December 2021 and 1 January 2022 (restated)	4,816,272	1,381,776	192,648	279,608	1,641,077	8,311,381
<b><u>Change from financing cash flow:</u></b>						
Payment made to lease liabilities	-	-	-	(144,356)	-	(144,356)
Policyholders' account deposits	234,216	-	-	-	-	234,216
Policyholders' account withdrawals	(334,628)	-	-	-	-	(334,628)
Redemption of preference shares	-	-	(87,917)	-	-	(87,917)
Drawdown of bank loans	-	-	-	-	-	-
Repayment of a bank loan	-	-	-	-	-	-
Other borrowing cost paid	-	(49,412)	-	-	-	(49,412)
Total change in financing cash flows	(100,412)	(49,412)	(87,917)	(144,356)	-	(382,097)
Net change in lease obligation	-	-	-	90,629	-	90,629
Finance charge and effective interest expenses	-	60,802	-	7,250	83,694	151,746
Fair value change	-	-	444	-	-	444
Interest credited to policyholders' account balances	144,713	-	-	-	-	144,713
Cost of insurance charges	-	-	-	-	-	-
Administrative fees	(39,966)	-	-	-	-	(39,966)
Other reserve changes	(1,945)	-	-	-	-	(1,945)
Other expense	(28,230)	-	-	-	-	(28,230)
Transfer to the other payable and accrual	-	-	-	-	(83,694)	(83,694)
Exchange alignment	3,446	-	-	(65)	-	3,381
At 31 December 2022	4,793,878	1,393,166	105,175	233,066	1,641,077	8,166,362

**26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (Continued)**

**(a) Reconciliation to liabilities arising from financing activities for disclosure purpose (Continued)**

	<i>Policyholders' deposit</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Preference shares</i> HK\$'000	<i>Lease liabilities</i> HK\$'000	<i>Shareholder's loan</i> HK\$'000	<i>Total</i> HK\$'000
At 31 December 2022 and 1 January 2023	4,793,878	1,393,166	105,175	233,066	1,641,077	8,166,362
<b><u>Change from financing cash flow:</u></b>						
Payment made to lease liabilities	-	-	-	(135,272)	-	(135,272)
Policyholders' account deposits	183,421	-	-	-	-	183,421
Policyholders' account withdrawals	(403,908)	-	-	-	-	(403,908)
Redemption of preference shares	-	-	(3,436)	-	-	(3,436)
Drawdown of bank loans	-	-	-	-	-	-
Repayment of a bank loan	-	-	-	-	-	-
Other borrowing cost paid	-	(92,257)	-	-	-	(92,257)
Total change in financing cash flows	(220,487)	(92,257)	(3,436)	(135,272)	-	(451,452)
Net change in lease obligation	-	-	-	107,764	-	107,764
Finance charge and effective interest expenses	-	98,570	-	6,800	84,551	189,921
Fair value change	-	-	134	-	-	134
Interest credited to policyholders' account balances	179,054	-	-	-	-	179,054
Cost of insurance charges	-	-	-	-	-	-
Administrative fees	(32,571)	-	-	-	-	(32,571)
Other reserve changes	(19,311)	-	-	-	-	(19,311)
Other income	10,869	-	-	-	-	10,869
Transfer to the other payable and accrual	-	-	-	-	(84,551)	(84,551)
Exchange alignment	(417)	-	-	(118)	-	(535)
At 31 December 2023	4,711,015	1,399,479	101,873	212,240	1,641,077	8,065,684

## 26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts *(Continued)*

### *(b) Bank balance - trust and segregated accounts*

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business of the regulated activities. The Group has classified the "bank balance – trust and segregated accounts" under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2023, client money maintained in segregated accounts amounted to HK\$295,166,000 (2022: HK\$509,499,000).

## 27 Insurance and reinsurance contracts

	Note	2023 HK\$'000	2022 HK\$'000
<b>Insurance contracts</b>			
Insurance contract liabilities			
- Insurance contract balances	27(a)(i)	63,579,853	55,055,620
- Assets for insurance acquisition cash flows	27(b)	(2,409)	(1,411)
		<u>63,577,444</u>	<u>55,054,209</u>
<b>Reinsurance contracts</b>			
Reinsurance contract assets	27(a)(ii)	<u>(6,517,666)</u>	<u>(6,432,170)</u>

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

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the consolidated statement of profit or loss and other comprehensive income. The group presents a table separately analysing movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of profit or loss and other comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Group's maximum exposure to credit risk from these assets.

27 Insurance and reinsurance contracts (Continued)

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

(i) Insurance contracts  
Analysis by remaining coverage and incurred claims

Note	2023						2022					
	Liabilities for remaining coverage		Liabilities for incurred claims			Total	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Loss component	contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance as at 1 January</b>												
Opening assets	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	54,088,415	544,472	405,635	16,578	520	55,055,620	53,941,769	490,604	399,403	23,357	743	54,855,876
<b>Net opening balance</b>	54,088,415	544,472	405,635	16,578	520	55,055,620	53,941,769	490,604	399,403	23,357	743	54,855,876
Changes in the statement of profit or loss and OCI:												
<b>Insurance revenue</b>												
Contracts under the fair value transition approach	(1,916,535)	-	-	-	-	(1,916,535)	(2,144,559)	-	-	-	-	(2,144,559)
Other contracts	(708,850)	-	-	-	-	(708,850)	(302,007)	-	-	-	-	(302,007)
	(2,625,385)	-	-	-	-	(2,625,385)	(2,446,566)	-	-	-	-	(2,446,566)
<b>Insurance service expenses</b>												
Incurring claims and other insurance service expenses	-	(128,465)	1,051,024	241,693	64	1,164,316	-	(151,754)	1,029,776	149,640	(221)	1,027,441
Amortisation of insurance acquisition cash flows	810,973	-	-	-	-	810,973	678,542	-	-	-	-	678,542
Losses and reversals of losses on onerous contracts	-	(50,019)	-	-	-	(50,019)	-	198,819	-	-	-	198,819
Adjustments to liabilities for incurred claims	-	-	110,792	17,946	-	128,738	-	-	81,215	14,802	-	96,017
	810,973	(178,484)	1,161,816	259,639	64	2,054,008	678,542	47,065	1,110,991	164,442	(221)	2,000,819
Investment components and premium refunds	(2,865,097)	-	2,865,152	(55)	-	-	(1,675,242)	-	1,675,294	(52)	-	-
<b>Insurance service result</b>	(4,679,509)	(178,484)	4,026,968	259,584	64	(571,377)	(3,443,266)	47,065	2,786,285	164,390	(221)	(445,747)
Net finance expenses from insurance contracts	4,326,917	8,248	1,483	(42)	-	4,336,606	(5,765,358)	6,042	4,080	581	-	(5,754,655)
Effect of movements in exchange rates	84,456	(948)	(837)	31	1	82,703	8,772	761	(3,964)	(579)	(2)	4,988
<b>Total changes in statement of profit or loss and OCI</b>	(268,136)	(171,184)	4,027,614	259,573	65	3,847,932	(9,199,852)	53,868	2,786,401	164,392	(223)	(6,195,414)
<b>Cash flows</b>												
Premiums received	11,844,540	-	-	-	-	11,844,540	11,315,213	-	-	-	-	11,315,213
Claims and other insurance service expenses paid, including investment components	-	-	(3,820,176)	(244,698)	-	(4,064,874)	-	-	(2,910,356)	(171,171)	-	(3,081,527)
Insurance acquisition cash flows	(3,021,866)	-	-	-	-	(3,021,866)	(1,968,577)	-	-	-	-	(1,968,577)
Other amounts received/(paid)	-	-	(81,499)	-	-	(81,499)	(138)	-	130,187	-	-	130,049
<b>Total cash flows</b>	8,822,674	-	(3,901,675)	(244,698)	-	4,676,301	9,346,498	-	(2,780,169)	(171,171)	-	6,395,158
<b>Net closing balance as at 31 December</b>	62,642,953	373,288	531,574	31,453	585	63,579,853	54,088,415	544,472	405,635	16,578	520	55,055,620
Closing assets	-	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	62,642,953	373,288	531,574	31,453	585	63,579,853	54,088,415	544,472	405,635	16,578	520	55,055,620
<b>Net closing balance as at 31 December</b>	62,642,953	373,288	531,574	31,453	585	63,579,853	54,088,415	544,472	405,635	16,578	520	55,055,620

## 27 Insurance and reinsurance contracts (Continued)

### (a) Movements in insurance and reinsurance contract balances (Continued)

#### (i) Insurance contracts (Continued) Analysis by measurement component

	2023					2022					
	Note	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value transition approach CSM HK\$'000	Other contracts HK\$'000	Total HK\$'000	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value transition approach CSM HK\$'000	Other contracts HK\$'000	Total HK\$'000
<b>Balance as at 1 January</b>											
Opening assets		-	-	-	-	-	-	-	-	-	-
Opening liabilities		44,883,107	1,484,856	7,705,480	930,068	55,003,511	43,973,987	1,955,510	8,853,206	-	54,782,703
<b>Net opening balance</b>		44,883,107	1,484,856	7,705,480	930,068	55,003,511	43,973,987	1,955,510	8,853,206	-	54,782,703
Changes in the statement of profit or loss and OCI:											
<b>Change that relate to current services</b>											
CSM recognised for service provided		-	-	(592,407)	(121,088)	(713,495)	-	-	(677,418)	(38,271)	(715,689)
Change in risk adjustment for non-financial risk or risk expired		-	21,732	-	-	21,732	-	(21,990)	-	-	(21,990)
Experience adjustments		56,616	-	-	-	56,616	63,999	-	-	-	63,999
<b>Change that relate to future services</b>											
Contracts initially recognised in the period		(1,096,726)	112,285	-	1,041,668	57,227	(1,136,474)	102,793	-	1,139,313	105,632
Changes in estimates that adjust the CSM		924,981	50,021	(988,564)	13,562	-	1,292,554	(552,430)	(564,940)	(175,184)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts		(49,672)	15,691	(73,261)	-	(107,242)	93,898	(713)	-	-	93,185
<b>Changes that relate to past services</b>											
Adjustments to liabilities for incurred claims		110,793	-	-	-	110,793	81,218	-	-	-	81,218
Adjustments to liabilities for remaining coverage		(6,600)	-	-	-	(6,600)	(5,415)	-	-	-	(5,415)
Insurance service result		(60,608)	199,729	(1,654,232)	934,142	(580,969)	389,780	(472,340)	(1,242,358)	925,858	(399,060)
Net finance expenses from insurance contracts		4,162,577	514	130,678	42,989	4,336,758	(5,852,706)	-	89,264	8,207	(5,755,235)
Effect of movements in exchange rates		68,437	3,481	12,006	(1,370)	82,554	2,507	1,686	5,368	(3,997)	5,564
<b>Total changes in statement of profit or loss and OCI</b>		4,170,406	203,724	(1,511,548)	975,761	3,838,343	(5,460,419)	(470,654)	(1,147,726)	930,068	(6,148,731)
<b>Cash flows</b>											
Premiums received		11,486,309	-	-	-	11,486,309	11,045,729	-	-	-	11,045,729
Claims and other insurance service expenses paid, including investment components		(3,820,176)	-	-	-	(3,820,176)	(2,910,356)	-	-	-	(2,910,356)
Insurance acquisition cash flow s		(2,951,832)	-	-	-	(2,951,832)	(1,895,883)	-	-	-	(1,895,883)
Other amounts received/(paid)		(81,499)	-	-	-	(81,499)	130,049	-	-	-	130,049
<b>Total cash flows</b>		4,632,802	-	-	-	4,632,802	6,369,539	-	-	-	6,369,539
<b>Net closing balance as at 31 December</b>		53,686,315	1,688,580	6,193,932	1,905,829	63,474,656	44,883,107	1,484,856	7,705,480	930,068	55,003,511
Closing assets		-	-	-	-	-	-	-	-	-	-
Closing liabilities		53,686,315	1,688,580	6,193,932	1,905,829	63,474,656	44,883,107	1,484,856	7,705,480	930,068	55,003,511
<b>Net closing balance as at 31 December</b>		53,686,315	1,688,580	6,193,932	1,905,829	63,474,656	44,883,107	1,484,856	7,705,480	930,068	55,003,511

## 27 Insurance and reinsurance contracts (Continued)

### (a) Movements in insurance and reinsurance contract balances (Continued)

#### (ii) Reinsurance contracts

##### Analysis by remaining coverage and incurred claims

Note	2023 Assets for incurred claims					2022 Assets for incurred claims				
	Assets for remaining coverage		Estimates of present value of future cash flows			Assets for remaining coverage		Estimates of present value of future cash flows		
	Excluding loss-recovery component HK\$'000	Loss-recovery component HK\$'000	Contracts not under PAA HK\$'000	Contracts under PAA HK\$'000	Total HK\$'000	Excluding loss-recovery component HK\$'000	Loss-recovery component HK\$'000	Contracts not under PAA HK\$'000	Contracts under PAA HK\$'000	Total HK\$'000
<b>Balance as at 1 January</b>										
Opening assets	5,563,922	336,587	518,183	13,478	6,432,170	3,716,364	426,978	411,697	1,597	4,556,636
Opening liabilities	-	-	-	-	-	-	-	-	-	-
<b>Net opening balance</b>	5,563,922	336,587	518,183	13,478	6,432,170	3,716,364	426,978	411,697	1,597	4,556,636
Changes in the statement of profit or loss and OCI:										
<b>Allocation of reinsurance premium paid</b>	(240,366)	-	-	-	(240,366)	(210,018)	-	-	-	(210,018)
<b>Amounts recoverable from reinsurers</b>										
Recoveries of incurred claims and other insurance service expenses	-	(163,379)	324,924	13,474	175,019	-	(127,904)	241,946	9,417	123,459
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	3,969	-	-	3,969	-	32,682	-	-	32,682
Adjustments to assets for incurred claims	-	-	27,171	2,579	29,750	-	-	18,651	2,443	21,094
	-	(159,410)	352,095	16,053	208,738	-	(95,222)	260,597	11,860	177,235
Investment components and premium refunds	(1,707,039)	-	1,706,962	77	-	(709,732)	-	709,663	69	-
Effect of changes in non-performance risk of reinsurers	5,371	-	-	-	5,371	27,446	-	-	-	27,446
<b>Net expenses from reinsurance contracts</b>	(1,942,034)	(159,410)	2,059,057	16,130	(26,257)	(892,304)	(95,222)	970,260	11,929	(5,337)
Net finance incomes from reinsurance contracts	190,665	3,741	1,858	15	196,279	175,079	4,722	1,784	50	181,635
Effect of movements in exchange rates	11,539	749	(3,372)	(18)	8,898	(12,742)	109	(1,943)	(51)	(14,627)
<b>Total changes in statement of profit or loss and OCI</b>	(1,739,830)	(154,920)	2,057,543	16,127	178,920	(729,967)	(90,391)	970,101	11,928	161,671
<b>Cash flows</b>										
Premiums paid	1,919,615	-	746	-	1,920,361	2,608,216	-	-	-	2,608,216
Amounts received	-	-	(1,032,081)	(4,468)	(1,036,549)	-	-	(972,445)	(47)	(972,492)
Other amounts received	4,041	-	(981,277)	-	(977,236)	(30,691)	-	108,830	-	78,139
<b>Total cash flows</b>	1,923,656	-	(2,012,612)	(4,468)	(93,424)	2,577,525	-	(863,615)	(47)	1,713,863
<b>Net closing balance as at 31 December</b>	5,747,748	181,667	563,114	25,137	6,517,666	5,563,922	336,587	518,183	13,478	6,432,170
Closing assets	5,747,748	181,667	563,114	25,137	6,517,666	5,563,922	336,587	518,183	13,478	6,432,170
Closing liabilities	-	-	-	-	-	-	-	-	-	-
<b>Net closing balance as at 31 December</b>	5,747,748	181,667	563,114	25,137	6,517,666	5,563,922	336,587	518,183	13,478	6,432,170

## 27 Insurance and reinsurance contracts (Continued)

### (a) Movements in insurance and reinsurance contract balances (Continued)

#### (ii) Reinsurance contract (Continued) Analysis by measurement component

Note	2023					2022				
	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value transition approach HK\$'000	Other contracts HK\$'000	Total HK\$'000	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value transition approach HK\$'000	Other contracts HK\$'000	Total HK\$'000
<b>Balance as at 1 January</b>										
Opening assets	5,012,071	80,045	1,300,861	31,127	6,424,104	3,232,926	89,910	1,233,728	-	4,556,564
Opening liabilities	-	-	-	-	-	-	-	-	-	-
<b>Net opening balance</b>	5,012,071	80,045	1,300,861	31,127	6,424,104	3,232,926	89,910	1,233,728	-	4,556,564
Changes in the statement of profit or loss and OCI:										
<b>Change that relate to current services</b>										
CSM recognised for service provided	-	-	(82,922)	(8,421)	(91,343)	-	-	(99,465)	(4,248)	(103,713)
Change in risk adjustment for non-financial risk or risk expired	-	497	-	-	497	-	(1,516)	-	-	(1,516)
Experience adjustments	18,581	-	-	-	18,581	14,960	-	-	-	14,960
<b>Change that relate to future services</b>										
Contracts initially recognised in the period	(16,515)	7,327	-	10,713	1,525	(8,968)	6,165	-	41,384	38,581
Changes in estimates that adjust the CSM	361,092	31,051	(371,650)	(20,493)	-	(139,673)	(14,574)	160,363	(6,116)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	2,413	31	-	-	2,444	(5,879)	(20)	-	-	(5,899)
<b>Changes that relate to past services</b>										
Adjustments to assets for incurred claims	27,171	-	-	-	27,171	18,654	-	-	-	18,654
Effect of changes in non-performance risk of reinsurance	5,371	-	-	-	5,371	27,446	-	-	-	27,446
Net expenses from reinsurance contracts	398,113	38,906	(454,572)	(18,201)	(35,754)	(93,460)	(9,945)	60,898	31,020	(11,487)
Net finance expenses from reinsurance contracts	180,728	39	14,849	634	196,250	176,999	-	4,159	440	181,598
Effect of movements in exchange rates	6,971	489	1,458	12	8,930	(16,412)	80	2,076	(333)	(14,589)
<b>Total changes in statement of profit or loss and OCI</b>	585,812	39,434	(438,265)	(17,555)	169,426	67,127	(9,865)	67,133	31,127	155,522
<b>Cash flows</b>										
Premiums paid	1,911,206	-	-	-	1,911,206	2,606,324	-	-	-	2,606,324
Amounts received	(1,032,081)	-	-	-	(1,032,081)	(972,445)	-	-	-	(972,445)
Other amounts received	(977,236)	-	-	-	(977,236)	78,139	-	-	-	78,139
<b>Total cash flows</b>	(98,111)	-	-	-	(98,111)	1,712,018	-	-	-	1,712,018
<b>Net closing balance as at 31 December</b>	5,499,772	119,479	862,596	13,572	6,495,419	5,012,071	80,045	1,300,861	31,127	6,424,104
Closing assets	5,499,772	119,479	862,596	13,572	6,495,419	5,012,071	80,045	1,300,861	31,127	6,424,104
Closing liabilities	-	-	-	-	-	-	-	-	-	-
<b>Net closing balance as at 31 December</b>	5,499,772	119,479	862,596	13,572	6,495,419	5,012,071	80,045	1,300,861	31,127	6,424,104

## 27 Insurance and reinsurance contracts (Continued)

### (b) Assets for insurance acquisition cash flows

The following table shows the reconciliation from the opening to the closing balance for assets for insurance acquisition cash flows.

	2023 HK\$'000	2022 HK\$'000
Balance as at 1 January	1,411	-
Amounts incurred during the year	2,879,971	2,003,841
Amounts derecognised and included in the measurement of insurance contracts	(2,878,973)	(2,002,430)
Impairment losses and reversals	-	-
Effect of movements in exchange rates	-	-
Balance as at 31 December	<u>2,409</u>	<u>1,411</u>

The following table sets out when the Group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

	<i>As at 31 December 2023</i> HK\$'000	<i>As at 31 December 2022</i> HK\$'000
Less than one year	115	60
Two to five years	557	344
Five to 10 years	513	305
More than 10 years	1,224	702
	<u>2,409</u>	<u>1,411</u>

## 27 Insurance and reinsurance contracts (Continued)

### (c) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA during the year.

#### (i) Insurance contracts

	<i>Profitable contracts issued HK\$'000</i>	<i>Onerous contracts issued HK\$'000</i>	<i>Total HK\$'000</i>
Year ended 31 December 2023			
Claims and other insurance service expense payable	7,964,135	1,670,474	9,634,609
Insurance acquisition cash flows	2,568,478	551,604	3,120,082
Estimate of present value of cash outflows	10,532,613	2,222,078	12,754,691
Estimates of present value of cash inflows	(11,671,569)	(2,179,848)	(13,851,417)
Risk adjustment for non-financial risk	97,288	14,997	112,285
CSM	1,041,668	-	1,041,668
Losses recognised on initial recognition	-	57,227	57,227
Year ended 31 December 2022			
Claims and other insurance service expense payable	5,929,451	2,686,076	8,615,527
Insurance acquisition cash flows	1,859,671	191,645	2,051,316
Estimate of present value of cash outflows	7,789,122	2,877,721	10,666,843
Estimates of present value of cash inflows	(9,020,860)	(2,782,457)	(11,803,317)
Risk adjustment for non-financial risk	92,425	10,368	102,793
CSM	1,139,313	-	1,139,313
Losses recognised on initial recognition	-	105,632	105,632

**27 Insurance and reinsurance contracts (Continued)**

**(c) Effect of contracts initially recognised in the year (Continued)**

*(ii) Reinsurance contracts*

	<i>Reinsurance contracts held HK\$'000</i>
Balance as at 31 December 2023	
Estimate of present value of cash inflows	652,086
Estimates of present value of cash outflows	(668,601)
Risk adjustment for non-financial risk	7,327
Income recognised on initial recognition	(1,525)
CSM	<u>(10,713)</u>
Balance as at 31 December 2022	
Estimate of present value of cash inflows	2,218,702
Estimates of present value of cash outflows	(2,227,670)
Risk adjustment for non-financial risk	6,165
Income recognised on initial recognition	(38,581)
CSM	<u>(41,384)</u>

## 27 Insurance and reinsurance contracts (Continued)

### (d) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

	31 December 2023				
	1 year or less HK\$'000	2 to 5 years HK\$'000	5 to 10 years HK\$'000	More than 10 years HK\$'000	Total HK\$'000
Insurance contracts	<u>683,853</u>	<u>2,228,971</u>	<u>1,841,387</u>	<u>3,345,551</u>	<u>8,099,762</u>
Reinsurance contracts	<u>(41,789)</u>	<u>(300,922)</u>	<u>(243,075)</u>	<u>(290,382)</u>	<u>(876,168)</u>
	31 December 2022				
	1 year or less HK\$'000	2 to 5 years HK\$'000	5 to 10 years HK\$'000	More than 10 years HK\$'000	Total HK\$'000
Insurance contracts	<u>699,696</u>	<u>2,275,192</u>	<u>1,895,711</u>	<u>3,764,949</u>	<u>8,635,548</u>
Reinsurance contracts	<u>(97,223)</u>	<u>(479,678)</u>	<u>(367,278)</u>	<u>(387,809)</u>	<u>(1,331,988)</u>

## 27 Insurance and reinsurance contracts (Continued)

### (e) Significant judgements and estimates

#### (i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are insurance contracts with significant financial options and guarantees, then the Group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables.

#### Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

## 27 Insurance and reinsurance contracts (Continued)

### (e) Significant judgements and estimates (Continued)

#### (i) Fulfilment cash flows (Continued)

##### Estimates of future cash flows (Continued)

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that the Group will incur in providing investment services; and
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

##### Methodology and assumptions

#### (1) Mortality

Prudent mortality tables and industry mortality tables with margins are used. They are compared with the Group's internal mortality experience on a regular basis to ensure their appropriateness.

#### (2) Morbidity

Morbidity is based on the reinsurer's risk premiums which are relevant to its market experience. It is compared with the Group's internal morbidity experience on a regular basis to ensure its appropriateness.

#### (3) Withdrawal

Withdrawal rates are determined with reference to pricing assumptions and actual experience.

## 27 Insurance and reinsurance contracts (Continued)

### (e) Significant judgements and estimates (Continued)

#### (i) Fulfilment cash flows (Continued)

##### Methodology and assumptions (Continued)

#### (4) Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

As at 31 December 2023	1 year	5 years	10 years	15 years	20 years
USD	4.70%-5.54%	3.79%-4.63%	3.83%-4.67%	3.93%-4.78%	4.27%-5.11%
HKD	4.28%-5.12%	3.27%-4.11%	3.29%-4.13%	3.41%-4.25%	3.47%-4.31%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

#### Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Group would require for bearing non-financial risk.

The risk adjustments for non-financial risk are determined using 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.

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.

#### (ii) Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

## 27 Insurance and reinsurance contracts (Continued)

### (e) Significant judgements and estimates (Continued)

#### Risk adjustments for non-financial risk (Continued)

#### (iii) Investment components

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

#### (iv) Fair value of insurance contracts

The Group applied the fair value approach on transition to HKFRS 17. Actuarial appraisal method is selected as the underlying methodology.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

The Group's approach to measuring fair value differs from the HKFRS 17 requirements for measuring fulfilment cash flows in certain respects. These differences gave rise to a CSM at the date of transition.

- considers the cash flows included in the measurement of fulfilment cash flows but adjusts them to reflect the perspective of market participants. For example, expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear; and
- includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts.

#### (v) Underlying items of contracts with direct participating features

See note 23 for the composition and the fair value of underlying items of the Group's participating contracts at the reporting date.

## 28 Investment contract

	Note	2023 HK\$'000	2022 (restated) HK\$'000
Policyholders' deposits	(i)	4,505,381	4,609,597
Future policyholders' benefits	(ii)	82,834	70,968
Unearned revenue liability	(iii)	186,632	167,016
		<u>4,774,847</u>	<u>4,847,581</u>
Other contract asset	(v)	<u>123,249</u>	<u>109,530</u>

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2023 HK\$'000	2022 (restated) HK\$'000
At 1 January	4,609,597	4,610,097
Contributions received during the year	120,512	141,544
Net fee and charges deducted from account balances (Note 8)	(26,209)	(33,781)
Interest credited to account balances	179,054	144,713
Redemptions due for payment in current year	(351,336)	(266,608)
Others movements	(25,820)	10,187
Exchange alignment	(417)	3,445
At 31 December	<u>4,505,381</u>	<u>4,609,597</u>

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2023 HK\$'000	2022 HK\$'000
At 1 January	70,968	73,238
Movement during the year	11,863	(2,323)
Exchange alignment	3	53
At 31 December	<u>82,834</u>	<u>70,968</u>

## 28 Investment contract (Continued)

### (iii) Unearned revenue liability

Analysis of movement in unearned revenue liability:

	2023 HK\$'000	2022 (restated) HK\$'000
At 1 January	167,016	134,658
Amount deferred	23,297	30,980
Amortisation and other adjustments for the year	(3,679)	1,253
	19,618	32,233
Effect to fair value reserve	-	-
Exchange alignment	(2)	125
At 31 December	186,632	167,016

(iv) The amount of investment contract liabilities expected to be settled after more than one year is HK\$4,534,789,000 (2022 (restated): HK\$4,597,629,000).

### (v) Other contract asset

	2023 HK\$'000	2022 (restated) HK\$'000
At 1 January	109,530	93,566
Amount deferred	16,751	17,826
Amortisation and other movements	(3,062)	(2,009)
Exchange alignment	30	147
At 31 December	123,249	109,530

## 29 Other accounts payable

	2023 HK\$'000	2022 HK\$'000
Accounts payable		
- Cash and margin clients	361,581	597,737
- Clearing house, fund managers, brokers and dealers	23,982	11,727
	<u>385,563</u>	<u>609,464</u>

Included in accounts payable are amounts payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting regulated activities, which amount to HK\$295,363,000 (2022: HK\$520,331,000).

All of the accounts payable are aged and due within one month or on demand.

### ***Balance with related parties***

At 31 December 2023, accounts payable of approximately HK\$70,000 (2022: HK\$12,794,000) and HK\$909,000 (2022: HK\$83,286,000) to certain key management personnel of the Company and companies controlled by key management personnel of the Company respectively on normal terms of brokerage and wealth management business of the Group.

### 30 Other payables and accrued expenses

		2023	2022
	Note	HK\$'000	(restated) HK\$'000
Accrued staff costs		28,684	41,076
Other contract provisions	(i)	219,511	197,465
Other payables and accruals		643,419	781,960
		<u>891,614</u>	<u>1,020,501</u>

Note:

- (i) Other contract provisions represented policyholders' deposits of HK\$205,634,000 (2022: \$184,281,000) and future policyholders' benefits of HK\$13,877,000 (2022: HK\$13,184,000) to other business.

All of the other payables and accrued expenses are expected to be settled within one year.

#### Balance with related parties

- 1) At 31 December 2023, accounts payable of approximately HK\$39,411,000 (2022: HK\$59,859,000) are payable to MassMutual International LLC ("MMI") who is a substantial shareholder of the Company and its affiliates.
- 2) At 31 December 2023, interest accrual of approximately HK\$254,692,000 (2022: HK\$170,142,000) is due to Key Imagination Limited ("KIL") who is the controlling shareholder of the Company.

### 31 Income tax in the statement of financial position

(a) *Tax payable/(recoverable) in the statement of financial position represents:*

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>Hong Kong Profits Tax</b>		
Provision for Hong Kong Profits Tax for the year	58,543	46,085
Provisional Profits Tax paid	(46,099)	(49,404)
	<u>12,445</u>	<u>(3,319)</u>
Balance of Profits Tax provision relating to prior years	(86)	133
	<u>12,358</u>	<u>(3,186)</u>
<b>Macao Complementary Tax</b>		
Balance of Macao Complementary Tax provision for the year	54,928	5,640
Balance of Profits Tax provision relating to prior years	259	-
	<u>55,187</u>	<u>5,640</u>
<b>Overseas Tax</b>		
Balance of overseas provision for the year	(45)	(76)
	<u>67,500</u>	<u>2,378</u>
Amount of tax payable expected to be settled within one year	<u>67,545</u>	<u>5,640</u>
Amount of taxation recoverable expected to be settled within one year	<u>45</u>	<u>3,262</u>

### 31 Income tax in the statement of financial position (Continued)

#### (b) Deferred tax assets and liabilities recognised:

##### (i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	<i>Fair value Adjustment to assets and liabilities related to acquisition of subsidiaries</i> HK\$'000	<i>Accelerated tax depreciation</i> HK\$'000	<i>Tax losses</i> HK\$'000	<i>Fair value adjustment on investment at fair value through profit and loss</i> HK\$'000	<i>Fair value adjustment on investment at fair value through other comprehen- sive income</i> HK\$'000	<i>Decelerated tax on expense/ expected credit loss incurred</i> HK\$'000	<i>Total</i> HK\$'000
<b>Deferred tax liabilities/(assets) arising from:</b>							
At 1 January 2022 (restated)	257,117	-	-	110	3,230	(44)	260,413
Credited to profit or loss	-	(46)	-	(145)	-	(4,191)	(4,382)
Credited to other comprehensive income	91,885	-	-	-	(41,162)	-	50,723
Exchange alignment	-	3	-	-	-	-	3
<b>At 31 December 2022 (restated)</b>	<u>349,002</u>	<u>(43)</u>	<u>-</u>	<u>(35)</u>	<u>(37,932)</u>	<u>(4,235)</u>	<u>306,757</u>
At 1 January 2023	349,002	(43)	-	(35)	(37,932)	(4,235)	306,757
Credited to profit or loss	4,286	34	-	45	-	(3,131)	1,234
Credited to other comprehensive income	(77,209)	-	-	-	(25,604)	-	(102,813)
Exchange alignment	-	1	-	(10)	-	-	(9)
<b>At 31 December 2023</b>	<u>276,079</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>(63,536)</u>	<u>(7,366)</u>	<u>205,169</u>

At 31 December 2023, no deferred tax asset has been recognised in respect of the tax losses of HK\$1,770 million (2022: HK\$1,623 million) to the extent that it is not probable that future taxable profit against which the losses can be utilised will be available subject to the approval of respective tax authorities in the relevant tax jurisdiction. The tax losses amounting to HK\$1,770 million (2022: HK\$1,616 million) do not expire under current tax legislation.

##### (ii) Reconciliation to the consolidated statement of financial position

	2023 HK\$'000	2022 (restated) HK\$'000
Net deferred tax asset in the consolidated statement of financial position	70,910	42,245
Net deferred tax liability in the consolidated statement of financial position	<u>(276,079)</u>	<u>(349,002)</u>
	<u>(205,169)</u>	<u>(306,757)</u>

## 32 Financial liabilities at fair value through profit or loss

	2023	2022
	HK\$'000	(restated) HK\$'000
<b>Designated at fair value through profit or loss</b>		
Preference share liability ( <i>note 1</i> )	101,873	105,175
Third-party interests in consolidated funds ( <i>note 2</i> )	118,488	131,187
Derivatives	298,003	117,508
	518,364	353,870

Notes:

- (1) By 31 December 2023, total number of preference shares issued was approximately 130,414 shares (2022: 134,812 shares) under the agreement. The subsidiary is obliged to redeem all issued preference shares in 5 years starting from the initial issuance date of the preference shares and has the discretion to extend the term for one year. At liquidation, after all creditors' claim is satisfied, the asset of the subsidiary should be first distributed to preference shareholders by redeeming all issued shares together with any unpaid preferred share dividends. The preference shares are due for settlement within one year from 31 December 2023.
  
- (2) The third party interests in consolidated fund consist of third-party unit holders' interest in the consolidated fund which is reflected as a liability as the fund is to be dissolved and return all capital to investor in seventh anniversary of the respective final closing date of the respective funds. The end of term of the consolidated fund is more than a year from 31 December 2023.

### 33 Lease liabilities

The Group had obligations under contractual maturities of the lease liabilities as follows:

	31 December 2023		31 December 2022	
	<i>Present value of the minimum lease payment</i> HK\$'000	<i>Total minimum lease payment</i> HK\$'000	<i>Present value of the minimum lease payment</i> HK\$'000	<i>Total minimum lease payment</i> HK\$'000
Within one year	117,576	121,970	107,283	112,540
After one but within 2 years	64,548	66,190	86,794	89,076
After 2 years but within 5 years	30,116	30,546	38,989	39,487
Over 5 years	-	-	-	-
	<u>212,240</u>	<u>218,706</u>	<u>233,066</u>	<u>241,103</u>
Less: finance cost		(6,466)		(8,037)
Present value lease liabilities		<u>212,240</u>		<u>233,066</u>

### 34 Bank borrowings

The bank loan was unsecured and repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	1,399,479	-
After 1 year but within 2 years	-	1,393,166
	<u>1,399,479</u>	<u>1,393,166</u>

The Group's banking facilities are subject to the compliance of covenants including certain financial ratios and negative pledge against certain arrangement and transactions, as are commonly found in lending arrangements with financial institutions. If the Group breached any of the covenants and negative pledge against certain arrangement and transactions, the outstanding bank loan would become immediate due and payable. The Group regularly monitors its compliance with these covenants. As at 31 December 2023, the Group is in compliance with the covenants. Further details of the Group's management of liquidity risk are set out in Note 4.

### 35 Shareholder's loan

The shareholder's loan becomes due within 1 year from the reporting date. The interest rate is determined based on arm's length terms.

### 36 Capital and reserves

#### (a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### The Company

	Share capital HK\$'000	Capital Reserve HK\$'000	Shares held by share award scheme HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>	11,872,180	64,000	(83,230)	1,575	(1,718,905)	10,135,620
Total comprehensive income for the year	-	-	-	-	(67,430)	(67,430)
<b>At 31 December 2022 and 1 January 2023</b>	11,872,180	64,000	(83,230)	1,575	(1,786,335)	10,068,190
Total comprehensive income for the year	-	-	-	(1,575)	(101,614)	(103,189)
<b>At 31 December 2023</b>	<u>11,872,180</u>	<u>64,000</u>	<u>(83,230)</u>	<u>-</u>	<u>(1,887,949)</u>	<u>9,965,001</u>

#### (b) *Nature and purpose of reserves*

##### (i) Share held by share award scheme and share-based payment reserve

The Company's shares held by Youyu Share Award Scheme Nominee Limited, TMF Trust (HK) Limited and Bank of Communications Trustee Limited for the share award schemes are presented as a deduction in equity as shares held for share award scheme.

Share-based payment reserve represents the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments.

## 36 Capital and reserves (Continued)

### (b) Nature and purpose of reserves (Continued)

#### (ii) Asset revaluation reserve

The asset revaluation reserve arose on the revaluation of the trading rights in the exchanges in Hong Kong in prior years. The carrying value of the trading rights have been fully amortised in previous years. The remaining revaluation reserve will be realised when the Group disposes of the trading rights.

#### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(x).

#### (iv) Statutory and capital reserve

##### Statutory reserve

Pursuant to the Company Law of the PRC, in accordance with the relevant subsidiary's articles of association, 10% of the net profit of the relevant subsidiary, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the registered capital of the subsidiary incorporated in PRC. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into registered capital, the remaining reserve is required to be no less than 25% of the subsidiary's registered capital before capitalisation.

##### Capital reserve

The capital reserve arose to recognise the difference between the fair value and the issue price of Company's share in relation to the completion of the acquisition of YF Life.

#### (v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period (see Note 2(j)).

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 2(j)).

## **36 Capital and reserves (Continued)**

### **(b) Nature and purpose of reserves (Continued)**

#### (vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges (see Note 2(I)).

#### (vii) Insurance and reinsurance finance reserve

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

### **(c) Distributability of reserves**

As at 31 December 2023, the Company did not have any reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622) (2022: Nil).

### **(d) Dividend**

No dividend was paid or proposed for the year ended 31 December 2023 (2022: Nil), nor has dividend been proposed since the end of the reporting period.

## 36 Capital and reserves (Continued)

### (e) Share capital

Movements of the Company's ordinary shares are set out below:

	2023		2022	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<b>Issued and fully paid:</b>				
Balance brought forward and carried forward	<u>3,867,991,673</u>	<u>11,872,683</u>	<u>3,867,991,673</u>	<u>11,872,683</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally about the Company's residual assets.

### (f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to meet its obligations and continue as a going concern, 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 capital structure of the Group consists of share capital and reserves as shown in the statement of financial position. In respect of the Group's insurance operations in Hong Kong and Macao, the regulators are interested in ensuring that the subsidiary maintains an appropriate solvency position to meet its liabilities arising from claims maturities and surrenders from its life insurance contracts. Pursuant to the Hong Kong Insurance Ordinance and the Macau Insurance Ordinance, YF Life is required to meet the requirements on solvency margin. If YF Life fails to comply with the requirements, the regulators may require YF Life to submit a plan for the restoration of a sound financial position or a short term financial scheme as appropriate, to the satisfaction of the regulators. YF Life complied with the solvency margin requirements for the year ended 31 December 2023.

On the other hand, certain subsidiaries of the Group, Yunfeng Financial Markets Limited ("YFFM"), Yunfeng Securities Limited ("YFSL") and Yunfeng Asset Management Limited ("YFAM"), are subject to externally imposed capital requirements. YFFM, YFSL and YFAM are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance. The management monitors YFFM, YFSL and YFAM's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, YFAM, YFFM and YFSL must maintain its liquid capital in excess of HK\$3 million or 5% of their total adjusted liabilities whichever is higher. The required information was filed with SFC on a monthly or half yearly basis. YFFM, YFSL and YFAM were in compliance with the capital requirements imposed by FRR during the current and prior year.

## 37 Employee share-based arrangements

### (i) Share award scheme

On 17 October 2014, the board of directors approved the adoption of the share award scheme (the “2014 Share Award Scheme”). The purpose of the 2014 Share Award Scheme is to (i) encourage or facilitate the holding of shares by the selected participants; (ii) encourage and retain such individuals to work with the Company and the Group and (iii) provide additional incentive for them to achieve performance goals, and the share award scheme took effect on 30 October 2014. Before vesting, the awarded shares are held in a trust set up by the scheme.

During the Year, there is neither new issue nor outstanding share award under the 2014 Share Award Scheme. During the Year, no Shares had been awarded under the 2014 Share Award Scheme and no awarded shares had been vested, cancelled or lapsed. Therefore, there is no movement for Shares under the 2014 Share Award Scheme during the Year.

With similar purpose of 2014 Share Award Scheme, on 12 December 2016, the board of directors approved the adoption of 2016 Share Award Scheme (the “2016 Share Award Scheme”) and the Company issue of 23,990,000 new ordinary shares of the Company to TMF Trust (HK) Limited to be granted to the Group A Participant (Group A Grantees) as disclosed in the announcement of the Company dated 24 January 2017. The share was issued at value of HK\$5.4 per share.

During the Year, the Group did not issue or award or repurchase any Shares under the 2016 Share Award Scheme.

The fair value of 2016 Share Award Scheme at the date of the grant are charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based payment reserve.

Upon vesting and transfer to the awardees, the related cost of the shares are credited to share held for share award scheme, and the related fair value of the shares are debited to share-based payment reserve.

The outstanding unvested awards as at 1 January 2023 and 31 December 2023 as disclosed below under Note 37(iii) were granted to other employees.

### 37 Employee share-based arrangements (Continued)

#### (ii) Details of the 2016 Share Award Scheme (to Group A Grantee)

<i>Date of approval by board</i>	<i>Date of award</i>	<i>Awarded sum HK\$'000</i>	<i>Number of shares issued</i>	<i>Number of awarded shares awarded</i>	<i>Average fair value per share HK\$</i>	<i>Vesting period</i>
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2017
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2018
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2019
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2020
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2018
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2019
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2020
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2021

#### Details of the 2016 Share Award Scheme (to Group B Grantee)

<i>Date of approval by board</i>	<i>Date of award</i>	<i>Awarded sum HK\$'000</i>	<i>Number of shares repurchased</i>	<i>Number of awarded shares awarded</i>	<i>Average fair value per share HK\$</i>	<i>Vesting period</i>
26 January 2018	26 January 2018	5,786	950,000	950,000	6.09	26 January 2018 - 2 February 2018
21 May 2018	21 May 2018	94,298	19,050,000	19,050,000	4.95	21 May 2018 - 28 May 2018

### 37 Employee share-based arrangements (Continued)

- (iii) Details of the 2016 Share Award Scheme vested, cancelled and modification of service condition to Group A Grantee.

#### Grant date on 24 January 2017

Vesting date	Number of awarded shares awarded A	Number of awarded shares vested B	Number of awarded shares cancelled and forfeited C	Number of awarded share remains outstanding D = A - B - C
As of 31 December 2021 and 1 January 2022				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	4,897,500	150,000
4 May 2020	5,047,500	-	4,897,500	150,000
Total	20,190,000	7,882,500	12,007,500	300,000
Movement for the year 2022				
4 May 2017	-	-	-	-
4 May 2018	-	-	-	-
4 May 2019	-	-	-	-
4 May 2020	-	-	-	-
As of 31 December 2022 and 1 January 2023				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	4,897,500	150,000
4 May 2020	5,047,500	-	4,897,500	150,000
Total	20,190,000	7,882,500	12,007,500	300,000
Movement for the year				
4 May 2017	-	-	-	-
4 May 2018	-	-	-	-
4 May 2019	-	-	150,000	-
4 May 2020	-	-	150,000	-
As of 31 December 2023				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	5,047,500	-
4 May 2020	5,047,500	-	5,047,500	-
Total	20,190,000	7,882,500	12,307,500	-

The awarded share remains outstanding due to service condition modification.

### 37 Employee share-based arrangements (Continued)

- (iii) Details of the 2016 Share Award Scheme vested, cancelled and modification of service condition to Group A Grantee. (Continued)

#### Grant date on 25 April 2018

Vesting date	Number of awarded shares awarded	Number of awarded shares vested	Number of awarded shares cancelled and forfeited	Number of awarded share remains outstanding
As of 31 December 2021 and 1 January 2022				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the year 2022				
4 May 2018	-	-	-	-
4 May 2019	-	-	-	-
4 May 2020	-	-	-	-
4 May 2021	-	-	-	-
As of 31 December 2022 and 1 January 2023				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the year				
4 May 2018	-	-	-	-
4 May 2019	-	-	-	-
4 May 2020	-	-	-	-
4 May 2021	-	-	-	-
As of 31 December 2023				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	<u>2,850,000</u>	<u>712,500</u>	<u>2,137,500</u>	<u>-</u>

### 37 Employee share-based arrangements (Continued)

- (iv) Details of the 2016 Share Award Scheme vested, cancelled and modification of service condition to Group B Grantee

<i>Vesting date</i>	<i>Number of awarded shares awarded</i>	<i>Number of awarded shares vested</i>	<i>Number of awarded shares cancelled</i>	<i>Number of awarded shares forfeited</i>	<i>Number of awarded share remains outstanding</i>
	A	B	C	D	E=A-B-C-D
2 Feb 2019	950,000	950,000	-	-	-
28 May 2018	19,050,000	19,050,000	-	-	-
As of 31 December 2019	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

There is no movement for 2016 Share Award Scheme to Group B Grantee for the year.

### 38 Interests in structured entities

#### Interest in consolidated structure entities

The Group had consolidated certain structured entities, mainly funds related to wealth management operation. For those structured entities where the Group is involved as manager or as investor, the Group assesses the extent of controlling power according to relevant group accounting policies.

As at 31 December 2023, the net assets of consolidated limited partnership fund entities as detailed in Note 23 amounted to HK\$345 million (2022: HK\$382 million) with net carrying interest held by the Group being HK\$227 million (2022: HK\$251 million).

Interests held by other investors in these consolidated structured entities, mainly fund entities were classified as financial liabilities at fair value through profit or loss of the consolidated statements of financial position with fair value change of financial liability at fair value through profit or loss presented in the consolidated statement of profit or loss.

At year end, the Group reassessed the control of structured entities and decided whether the Group is a principal.

## 38 Interests in structured entities *(Continued)*

### Interest in unconsolidated structure entities

Among those structured entities held by the Group where the Group directly or indirectly involves as investment manager or in equivalent capacity, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these investment funds;
- substantive removal rights held by other parties may remove the Group as an investment fund manager; and
- the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the directors, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent. Therefore, the Group did not consolidate these structured entities.

The Group classified its investment in those unconsolidated entities as FVOCI investments with minimal loss exposure due to small investment amount involved.

## 39 Commitments

### **(a) Capital commitments**

As at 31 December 2023, the Group has HK\$34,280,000 (2022: Nil) capital commitment contracted but not provided for.

### **(b) Investment commitments**

- (i) In the normal course of business, the Group enters into commitments to purchase certain investments and capital contribution commitments to third party managed fund investment. The Group has investment commitments contracted for amounted to HK\$2,176,196,000 (2022: HK\$1,406,145,000).
- (ii) As at 31 December 2023, the Group has capital commitment to a joint venture for an amount of US\$20 million (2022: US\$20 million) with US\$13.93 million (2022: US\$13.93 million) has been contributed.

## 40 Material related party transactions

### (a) Transactions with key management personnel

The remuneration for key management personnel of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Short term employee benefits	31,685	38,129
Post-employment benefits	1,558	2,582
Equity compensation benefits	-	-
	<u>33,243</u>	<u>40,711</u>

Total remuneration is included in “staff costs” in Note 10(a) to the financial statements.

During the year, No (2022: Nil) transaction and management fee related to key management personnel’s securities brokerage and wealth management transaction is waived by the Group.

### (b) Transactions with other related parties

	2023 HK\$'000	2022 HK\$'000
Brokerage fee income ( <i>note (i)</i> )	5,195	5,692
Investment management fee paid ( <i>note (ii)</i> )	78,951	83,921
Policies endorsement fee paid ( <i>note (iii)</i> )	4,344	4,420
Management fee and advisory fee income from a joint venture and co-manager of the joint venture	1,660	2,419
Premiums and fee income ( <i>note (iv)</i> )	<u>1,174</u>	<u>1,451</u>

#### 40 Material related party transactions *(Continued)*

Note:

- (i) During the year ended 31 December 2023 and 31 December 2022, the Group provided brokerage services to (i) companies where the Company's chairman, Mr. Yu Feng ("Mr. Yu") is a director and substantial shareholder and Mr. Huang Xin ("Mr. Huang"), the executive director, is a director (ii) key management of the Company.
- (ii) The Group paid an investment management fee to an affiliate of a substantial shareholder who appointed a director to the board of the Company, for management service provided to YF Life's investment portfolio.
- (iii) The fee is paid to an affiliate of a substantial shareholder, who appointed a director to the board of the Company, for the provision of claims payment endorsement to the life insurance outstanding policies of YF Life until such policies mature.
- (iv) During the year, the Group has received premium and fee income from a company where the Company's chairman, Mr. Yu is a director and shareholder.

#### 41 Company-level statement of financial position at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>Assets</b>			
Interests in subsidiaries		11,308,882	11,408,971
Property		2,629	8,163
Other receivables and prepayments		8,846	9,286
Cash and cash equivalents		47,840	44,738
<b>Total assets</b>		<u>11,368,197</u>	<u>11,471,158</u>
<b>Liabilities</b>			
Accrued expenses and other payables		157	143
Lease liability		3,560	9,659
Bank borrowings	34	1,399,479	1,393,166
<b>Total liabilities</b>		<u>1,403,196</u>	<u>1,402,968</u>
<b>NET ASSETS</b>		<u>9,965,001</u>	<u>10,068,190</u>
<b>EQUITY</b>			
Share capital	36(a)	11,872,180	11,872,180
Reserves	36(a)	(1,907,179)	(1,803,990)
<b>TOTAL EQUITY</b>		<u>9,965,001</u>	<u>10,068,190</u>

## 42 Immediate and ultimate controlling party

At 31 December 2023, the directors consider the immediate parent and ultimate holding company of the Company to be Yunfeng Financial Holdings Limited which is incorporated in the Cayman Islands and beneficially owned as to 29.85% and 70.15% by Mr. Ma Yun and Mr. Yu Feng, respectively. Yunfeng Financial Holdings Limited does not produce financial statements available for public use.

## 43 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the year 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 16, <i>Leases: Lease liability in sale and leaseback</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 44 Reconciliation between HKFRSs and US GAAP

The consolidated financial statements are prepared in accordance with HKFRSs, which differ from certain aspects from US GAAP. The effects of material differences between the financial statements of the Group prepared under HKFRSs and US GAAP are as follows:

Consolidated statement of financial position	As at 31 December 2023			As at 31 December 2022	As at 31 December 2022
	Insurance-related differences <sup>[1]</sup>	HKFRSs adjustments Other difference in accounting <sup>[2]</sup>	Difference in impairment basis <sup>[3]</sup>	Amounts under US GAAP HK\$'000	Amounts under US GAAP HK\$'000
<b>Assets</b>					
Property and equipment	-	142	-	632,602	674,483
Statutory deposits	-	-	-	4,193	5,142
Deferred tax assets	-	(44,392)	87,922	114,440	133,703
Tax recoverable	-	-	-	45	3,262
Investments in associates	-	-	-	121,500	132,012
Goodwill and intangible assets	-	-	-	1,923,737	1,909,213
Other contract asset	(123,249)	-	-	-	-
Deferred acquisition costs and value of business acquired	17,860,604	-	-	17,860,604	16,183,003
Investments	-	1,819,053	(2,090,533)	73,855,117	66,287,663
Reinsurance contract assets	(6,517,666)	-	-	-	-
Advance reinsurance premiums	420,679	-	(4,972)	415,707	1,373,910
Reinsurers' share of outstanding claims	126,689	-	-	126,689	91,125
Insurance and reinsurance receivables	8,852,613	-	(59,158)	8,523,455	7,509,280
Other accounts receivable and accrued income	-	-	-	113,160	119,799
Other receivables, deposits and prepayments	5,181	-	-	992,897	1,028,699
Bank balance – trust and segregated accounts	-	-	-	295,166	509,499
Fixed bank deposits with original maturity over 3 months	-	-	-	1,259,134	1,624,973
Cash and cash equivalents	-	-	-	3,973,788	2,547,901
<b>Total assets</b>				<u>110,212,234</u>	<u>100,133,667</u>
<b>Liabilities</b>					
Financial liabilities at fair value through profit or loss, other accounts payable and lease liabilities	-	-	-	(1,116,167)	(1,079,894)
Other payables and accrued expenses	(3,263,153)	-	-	(4,154,767)	(4,418,963)
Tax payable	-	-	-	(67,545)	(5,640)
Insurance contract provisions	(85,396,806)	-	-	(85,396,806)	(76,836,498)
Insurance contract liabilities	63,577,444	-	-	-	-
Investment contract liabilities	4,774,847	-	-	-	-
Outstanding claims	(273,858)	-	-	(273,858)	(229,402)
Reinsurance premium payables	(355,788)	-	-	(355,788)	(387,384)
Deferred tax liabilities	(823,044)	-	-	(1,099,123)	(1,138,128)
Bank borrowings	-	-	-	(1,399,479)	(1,393,166)
Shareholder's loan	-	-	-	(1,641,077)	(1,641,077)
<b>Total liabilities</b>				<u>(95,504,610)</u>	<u>(87,130,152)</u>
<b>Net assets</b>				<u>14,707,624</u>	<u>13,003,515</u>
<b>Capital and reserves</b>					
Share capital	-	-	-	11,872,683	11,872,683
Reserves	(985,044)	1,238,855	(1,442,585)	(2,054,136)	(3,139,507)
Non-controlling interests	(424,463)	535,948	(624,156)	4,889,077	4,270,339
<b>Total equity</b>				<u>14,707,624</u>	<u>13,003,515</u>

#### 44 Reconciliation between HKFRSs and US GAAP (Continued)

Consolidated income statement	2023 HK\$'000	2022 HK\$'000
<i>Amounts under US GAAP</i>		
<b>Income</b>		
Premiums and fee income	10,237,745	9,428,472
Premiums ceded to reinsurer	(1,470,670)	(2,218,347)
Net premium and fee income	8,767,075	7,210,125
Change in unearned revenue liability	(332,750)	(629,644)
Net earned premium and fee income	8,434,325	6,580,481
Brokerage commission, interest and other service income	20,565	26,664
Subscription, management and rebate fee income	4,638	6,646
Consultancy and advisory income	-	-
Net investment and other (loss)/income	4,763,502	344,774
Reinsurance commission and profit	41,198	63,330
Total income	13,264,228	7,021,895
<b>Benefits, losses and expenses</b>		
Net policyholders benefit	(3,040,586)	(1,344,152)
Commission and related expenses	(2,458,256)	(1,612,125)
Management and other expenses	(1,237,699)	(1,256,985)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(5,550,928)	(4,791,823)
Total benefits, losses and expenses	(12,287,469)	(9,005,085)
Finance costs	(202,126)	(162,484)
Share of results of associates	(10,810)	(7,954)
<b>Profit/(loss) before taxation</b>	763,823	(2,153,628)
Tax (credit)/expenses	(57,928)	67,804
<b>Profit/(loss) after taxation</b>	705,895	(2,085,824)
<b>Profit/(loss) attributable to:</b>		
Owners of the Company	392,255	(1,635,088)
Non-controlling interests	313,640	(450,736)
	705,895	(2,085,824)
<i>HKFRSs adjustments (notes)</i>		
<b>Profit attributable to:</b>		
Owners of the Company	4,909	992,353
Non-controlling interests	2,103	429,134
	7,012	1,421,487
<i>Amounts under HKFRSs</i>		
<b>Profit/(loss) attributable to:</b>		
Owners of the Company	397,164	(642,735)
Non-controlling interests	315,743	(21,602)
	712,907	(664,337)

#### **44 Reconciliation between HKFRSs and US GAAP (Continued)**

Notes:

- [1] Differences arise from different classification and measurement principles for insurance and reinsurance contracts under HKFRS and US GAAP.
- [2] Difference arises from classification and measurement of investments and lease accounting.
- [3] Difference arises from different impairment methodology and basis under HKFRS and US GAAP. As of 1 January 2022, the Group has chosen to early adopt Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* issued by the Financial Accounting Standards Board on 1 January 2022. The Group has recognised the cumulative effect of initial application as an adjustment to opening equity at 1 January 2022.

#### **45 Comparative figures**

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

#### **46 Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2023.

#### **47 Non-adjusting events after the reporting period**

The bank borrowings of the Group amounted to HK\$1,399,479,000 as at 31 December 2023 was fully repaid in February 2024, with the funding from the drawdown of a new bank borrowing facility through refinancing, which is unsecured and due 3 years after the facility agreement date.

There is no other material non-adjusting event after the reporting period.

#### **48 Scope of work of KPMG**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of statement of profit or loss and comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

## Five Year Financial Summary

	Year ended 31 December				
	2023	2022 (restated)	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Profit/(loss) for the year	712,907	(664,337)	792,665	948,987	614,750
Attributable to:					
Equity shareholder of the company	397,164	(642,735)	513,414	618,315	255,619
Non-controlling interest	315,743	(21,602)	279,251	330,672	359,131
Profit/(loss) for the year	712,907	(664,337)	792,665	948,987	614,750
Basic earnings/(loss) per share (HK\$)	0.10	(0.17)	0.13	0.19	0.08
	At 31 December				
	2023	2022 (restated)	2021 (restated)	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Property and equipment	632,460	674,271	711,787	600,451	495,328
Goodwill and intangible assets	1,923,737	1,909,213	1,910,204	1,909,079	1,923,360
Value of business acquired	-	-	-	9,012,571	10,057,446
Interest in associates	121,500	132,012	148,819	30,074	27,860
Investments	74,126,597	66,754,778	68,145,212	62,807,704	54,822,243
Other assets	13,345,027	12,299,000	11,425,558	13,192,676	8,001,207
Total liabilities	(73,744,252)	(65,507,576)	(65,227,716)	(68,210,788)	(59,864,286)
	16,405,069	16,261,698	17,113,864	19,341,767	15,463,158
Share capital	11,872,683	11,872,683	11,872,683	11,872,683	9,829,094
Reserves	(869,362)	(865,353)	(87,165)	1,507,893	273,604
	11,003,321	11,007,330	11,785,518	13,380,576	10,102,698
Non-controlling interests	5,401,748	5,254,368	5,328,346	5,961,191	5,360,460
Total equity	16,405,069	16,261,698	17,113,864	19,341,767	15,463,158

Note: For the year ended 31 December 2023, the Group has adopted HKFRS 17, *Insurance Contracts*, and related redesignation of financial assets, please refer to Note 3 "Change in accounting policies" to the consolidated financial statements for details of the impact of the adoption of the standard. The change in accounting policy has been applied retrospectively by restating the balances at 1 January 2022 and 1 January 2023, with consequential adjustments to comparatives for the year ended 31 December 2022.

The above results for the years ended 31 December 2019 to 2021 and assets and liabilities at 31 December 2019 and 2020 have not been restated during the adoption of HKFRS 17. These financial data have been prepared in accordance to HKFRS 4, *Insurance Contracts*, which is a different basis of preparation and not comparable to the figures adopted HKFRS 17.

## Definitions

*In the announcement, the following expressions shall have the following meanings unless the context required otherwise:*

“Audit Committee”	the audit committee of the Company
“Barings Investment Advisory Agreement”	the Fourth Amended and Restated Investment Advisory Agreement dated 15 December 2017 and entered into by and between Barings LLC and YF Life
“Board”	the board of Directors
“CEO”	the chief executive officer of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	the chairman of the Board
“Company”	Yunfeng Financial Group Limited
“Companies Ordinance”	the Companies Ordinance (“Chapter 622 of the Laws of Hong Kong, as it may be amended from time to time)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKIA”	the Hong Kong Insurance Authority, whether the individual appointed under the IO or body corporate established under the IO
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IO”	the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as the case may be, as it may be amended from time to time
“Jade Passion”	Jade Passion Limited
“Key Imagination”	Key Imagination Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MMI”	MassMutual International LLC
“MMLIC”	Massachusetts Mutual Life Insurance Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

## Definitions (continued)

“Nomination Committee”	the nomination committee of the Company
“PRC”	the People’s Republic of China
“Remuneration Committee”	the remuneration committee of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as it may be amended from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Year”	the year ended 31 December 2023
“YF Life”	YF Life Insurance International Limited, formerly known as MassMutual Asia Limited, a non-wholly owned subsidiary of the Company
“YFHL”	Yunfeng Financial Holdings Limited

By Order of the Board  
**Yunfeng Financial Group Limited**  
**Chan Man Ko**  
Company Secretary

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Mr. Fang Lin (who is Chief Executive Officer and executive director), Mr. Huang Xin (who is executive director), Mr. Michael James O’Connor and Ms. Hai Olivia Ou (who are non-executive directors), and Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng (who are independent non-executive directors).*