The unaudited financial information relating to the year ended 31 December 2022 and the financial information relating to the year ended 31 December 2021 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 2022 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 2021 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 2021. 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.

云锋金融

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 2022

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 2022 as follows:

Corporate Information

Board of Directors

Chairman

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

Executive Directors

Mr. Huang Xin *(Interim Chief Executive Officer)*

Non-Executive Directors

Mr. Adnan Omar Ahmed
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. Huang Xin
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, China Evergrande 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

Stock code

376

Management Discussion and Analysis

Overview

During the Year, COVID-19 continued to impact global financial markets. Facing the challenges and opportunities during the recovery, the Group effectively executed its business plan and actively pursued appropriate opportunities to broaden revenue streams and enhance shareholder value under the current market conditions. The Group captured the opportunities arising from the recovery to achieve breakthroughs and sustainable development in its business.

The Group's 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. For the Year, the Group's revenue amounted to HK$9,461 million, representing an increase of 11% compared to that of HK$8,521 million for the year 2021. The revenue included HK$9,428 million premiums and fee income, representing an increase of 11% compared to that of HK$8,479 million for the year 2021, and HK$33 million of income from other financial services, representing an decrease of 22% compared to that of HK$43 million for the year 2021. The adjusted operating profit was approximately HK$934 million, representing an increase of 14% compared to that of HK$818 million for the year 2021. The Group's consolidated loss amounted to HK$111 million compared to the consolidated profit of HK$793 million for the year 2021. The net loss attributable to equity shareholders of the Company amounted to HK$256 million compared to a net profit attributable to equity shareholders of the Company of HK$513 million for the Prior Year. The net loss attributable to equity shareholders of the Company for the Year was mainly due to the Group's investments losses as a result of adverse market conditions.

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	*2022*	*2021*	*Change %*
Premiums and fee income	9,428	8,479	11
(Loss) / profit after taxation	(111)	793	NA
Net (loss) / profit attributable to the owners	(256)	513	NA
Basic (loss) / earnings per share (HK$) (Note 1)	(0.07)	0.13	NA
Final dividend proposed per share	-	-	NA

At 31 December, HK$ million

	2022	*2021*	*Change %*
Total assets	102,870	98,474	4
Total equity	14,794	19,891	-26
Owner’s equity	9,983	13,724	-27
Owner’s equity per share (HK$) (Note 2)	2.58	3.55	-27

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

	2022	*2021*	*Change %*
YF Life segment operating profit	1,054	993	6
Other financial services and corporate segment operating loss	(120)	(175)	-31
Total operating profit	934	818	14
Adjust for the following profit or loss and expenses impact:			
- Investment (loss) / income, fair value changes of risk hedging derivatives and fair value change and impairment of certain investments	(654)	77	NA
- Staff share award amortisation expense	-	8	NA
- Finance costs (Note 1)	(145)	(125)	16
- One-off adjustments (Note 2)	(26)	(2)	13 times
- Consolidation adjustments (Note 3)	(220)	16	NA
(Loss) / profit for the year	(111)	792	NA
Less: non-controlling interests	(145)	(279)	-48
Net (loss) / profit attributable to the owners	(256)	513	NA

Note 1: The amount includes bank interest expenses and other finance expenses incurred for the capital required in the Group's strategic investment.

Note 2: One-off adjustments represent the impact of professional consultancy fees incurred for non-recurring project expense.

Note 3: The consolidation adjustments represent the financial impact arising from the acquisition of YF Life.

Changes in owner's equity

HK$ million	*2022*	*2021*
Balance at 1 January	19,891	19,342
Share based payment transaction	-	(8)
(Loss) / profit for the year	(111)	793
Other comprehensive income and others	(4,986)	(236)
Balance at 31 December	14,794	19,891
Attributable to:		
- equity shareholders of the Company	9,983	13,724
- non-controlling interests	4,811	6,167
Total equity	14,794	19,891

The Group's total shareholders' equity amounted to approximately HK$14,794 million as at 31 December 2022 as compared to the total shareholders' equity of HK$19,891 million reported at the end of last year. The decrease is mainly due to fair value change and impairment loss of investment assets.

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 2022, our insurance business remained as authorized 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 diversified product suite includes four flagship products: (i) the “FLEXI-ULife Prime Saver”, an enhanced universal life insurance plan; (ii) the “MY 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”, an insurance savings plan to accumulate capital with potentially higher return; and (iv) the “PrimeHealth” series which are critical illness products covering a wide range of illnesses.

The tied agency force consisted of approximately 3,204 (2021: 3,462) agents in Hong Kong and Macao as of 31 December 2022. 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. As of 31 December 2022, the insurance business division has approximately 511 (2021: 568) employees and more than 529,000 (2021: 523,000) in-force individual policies.

During 2022, our insurance division continues to develop its tied agency, brokerage and agency intermediary and bancassurance distribution channels to increase penetration in the market, to broaden its access to potential customers and to meet the evolving preferences of existing customers. Tied agency is the most significant distribution channel in terms of premium and fee income contribution and we plan to continue to steadily grow its tied agency force. We also seek to expand our brokerage and agency intermediary distribution channel to serve sophisticated customers who we believe are more receptive to independent advice. For bancassurance distribution channel, we will aim to establish new partnerships with suitable banks and financial institutions. Furthermore, our insurance division has been exploring to re-formulate overall strategy of online sales channel.

Future development in the insurance business

In year 2023 and beyond, our group will continue to develop its tied agency, brokerage and bancassurance distribution channels to increase penetration in the market, to broaden its access to potential customers and to meet the evolving preferences of existing customers. Tied agency is our significant distribution channel in terms of premium and fee income contribution, and we plan to continue to steadily grow the tied agency force. We will also continue to expand our brokerage distribution channel to serve sophisticated customers who we believe are more receptive to independent advice. In order to expand the bancassurance distribution channel, we will aim to establish new partnerships with suitable banks and financial institutions. Furthermore, we aim to develop innovative products to meet the evolving needs of our customers and enhance the concept of “product + service” to provide customers with comprehensive solutions. Technology empowerment is also a core concept of our group, and we will continue to improve the information capability and leverage the usage of digital platforms to match the preferences of the customers and improving operational efficiency.

Total Premium and Fee Income

Total premium and fee income ("TPI") measures its business volumes by referring to the total TPI reported under the 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 HKFRS, YF Life chooses to unbundle the deposit component of insurance contracts from TPI and such deposit component is credited directly to the policyholders' deposit upon receipt. Therefore, the revenue recognized in the financial statements prepared under HKFRS is less than TPI before intra-group transaction eliminations.

	For the year ended 31 December	
	2022	*2021*
	HK$ million	HK$ million
Total premium and fee income reported under IO	11,446	11,147
Less: Premium deposits separated out from insurance contracts and recognition of fee income	(2,016)	(2,667)
Premium and fee income recognized in the income statements under HKFRS	9,430	8,480

Management considers TPI as one of the important measures of the Group's operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of insurance companies. The management also uses TPI as an additional measurement tool for the purposes of business decision-making. TPI is not a measure 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

	For the year ended 31 December			
	2022		*2021*	
	HK$ million	%	HK$ million	%
Hong Kong	6,978	61	7,024	63
Macao	4,468	39	4,123	37
	11,446	100	11,147	100

(ii) By distribution channel

	For the year ended 31 December					
	2022 HK$ million			*2021* HK$ million		
	Hong Kong	*Macao*	*Total*	*Hong Kong*	*Macao*	*Total*
Tied agency	4,736	1,256	5,992	4,663	1,260	5,923
Brokers and non-tied agency	1,643	1,114	2,757	1,766	694	2,460
Banks and other financial institution	599	2,098	2,697	595	2,169	2,764
	6,978	4,468	11,446	7,024	4,123	11,147

(iii) By product type

	For the year ended 31 December					
	2022 HK$ million			*2021* HK$ million		
	Hong Kong	*Macao*	*Total*	*Hong Kong*	*Macao*	*Total*
Regular premium - First year	748	1,619	2,367	793	1,623	2,416
Regular premium- Renewal	5,803	2,740	8,543	5,749	2,327	8,076
Single premium	424	106	530	478	171	649
Fee income	3	3	6	4	2	6
	6,978	4,468	11,446	7,024	4,123	11,147

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 2022 is HK$20,587 million (31 December 2021: HK$18,061 million) with breakdown as below.

HK$ million

	31 December 2022	*31 December 2021*	*Change %*
Adjusted Net Worth (“ANW”) (note 1)	8,942	5,610	59
Value of in-force (“VIF”) business after CoC (note 2)	11,645	12,451	-6
Embedded value	20,587	18,061	14

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.

For further detailed discussion and movement analysis of embedded value of insurance business from 31 December 2021 to 31 December 2022, please refer to the Embedded Value section.

Key Financial Data of Insurance Business Segment

The key financial data of insurance segment is presented under Hong Kong Financial Reporting Standards ("HKFRS") on a full year basis before any fair value adjustment arising from the acquisition accounting policy and intra-group transaction eliminations:

	2022 HK$ million	*2021* HK$ million	*Change %*
Income			
Premiums and fee income (note a)	9,430	8,480	11
Premiums ceded to reinsurer	(2,721)	(2,749)	-1
Net premium and fee income	6,709	5,731	17
Change in unearned revenue liability (note b)	(1,109)	(726)	53
Net earned premium and fee income	5,600	5,005	12
Net investment and other income (note c)	3,128	5,018	-38
Reinsurance commission and profit	81	79	3
Benefits, losses and expenses			
Net policyholders benefit (note d)	1,306	2,506	-48
Commission and related expenses	1,614	1,822	-11
Deferral and amortisation of deferred acquisition costs (note b)	(1,685)	(1,576)	7
Management and other expenses	971	983	-1
Change in future policyholder benefits (note e)	5,846	5,409	8
Profit before taxation	757	958	-21
Taxation	52	49	6
Profit after taxation	705	909	-22

Note a: The increase of the balance mainly arises from new business and natural growth of in-force portfolio.

Note b: The net decrease of the balances (i.e. deferral and amortisation of deferred acquisition costs minus change in unearned revenue liability) is mainly due to decrease in acquisition cost from lower sales.

Note c: The balance includes net investment and other income, interest income from bank deposits and other operating income. The decrease of the balance mainly arises from investment loss from investment-linked policies.

Note d: The balance includes net claims, policy benefits and surrenders, interest credited to policyholders' deposits and dividends to policyholders. The decrease of the balance mainly arises from investment loss passing to the policyholders of investment-linked policies.

Note e: The balance includes both change in future policyholders' benefits to both insurance and investment contracts. The increase of the balance mainly arises from new business and natural growth of in-force portfolio.

Operating Profit

For management decision making and internal performance management purpose, the Group refers to the operating profit which excludes the investment income from disposal, fair value changes of risk hedging derivatives and impairment loss of investments. The operating profit and profit for the year grew by 6% to HK$1,054 million and declined by 22% to HK$705 million respectively.

	2022 HK$ million	*2021* HK$ million	*Change %*
Operating profit (note 1)	1,054	993	6
Adjust for the following profit or loss and expenses impact:			
- Investment income from disposal, fair value changes of risk hedging derivatives and impairment loss of investments	(349)	(84)	3 times
Profit for the year	705	909	-22

Note 1: Operating profit represents profit generated from core business activities.

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.

	As at 31 December	
	2022 HK$ million	*2021* HK$ million
Investments	67,937	66,869
Cash and deposit	3,380	3,788
Deferred acquisition costs	17,546	8,781
Other assets	12,068	9,735
Total assets	100,931	89,173
Insurance contract provisions	77,406	63,309
Investment contract liabilities	5,518	4,857
Other payables	5,939	5,173
Total liabilities	88,863	73,339
Net assets	12,068	15,834

As at 31 December 2022 and 31 December 2021, 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 2022, 96.8% (2021: 95.1%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. As at 31 December 2022, 89.3% (2021: 81.2%) 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.

Investment Assets

The table below sets forth the asset allocation of the investment portfolio (excluding unit trusts and investment policyholder plans related securities) of the insurance division which the Company 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 while equity securities and unit trusts and investment policyholder plans related securities were reported at fair value.

	As at 31 December	
	2022	*2021*
	HK$ million	HK$ million
Debt securities	55,475	49,774
Mortgage loans	5,790	6,086
Equity securities	2,644	2,709
Cash for investment	728	725
	64,637	59,294

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

	For the year ended 31 December	
	2022	*2021*
	HK$ million	HK$ million
Interest income and others	2,360	2,157
Dividend income	233	373

The investment income excludes income arising from investment-linked products.

Key Operational Data of the Insurance Division

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

	As at 31 December	
	2022	*2021*
Market position/share (by regular premium income)	13th/1.8%	13th/1.6%
Number of employees		
- *Hong Kong*	472	541
- *Macao*	39	27
Number of tied agents		
- *Hong Kong*	2,250	2,423
- *Macao*	954	1,039
Number of brokers and non-tied agents	509	526
Number of bancassurance partners	5	5
MDRT qualifiers *(Note 1)*	275	324
Expenses ratio *(Note 2)*	8.0%	8.7%

Notes:

1. Million Dollar Round Table ("MDRT") is a global professional association of life insurance and financial services professionals that recognizes significant sales achievements and high service standards.

2. Expenses ratio is operating expenses expressed as a percentage of total weighted premium income.

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.

	As at 31 December	
	2022	*2021*
	HK$ million	HK$ million
Total available capital	6,603	7,293
Regulatory minimum capital	2,676	2,596
Solvency Ratio	247%	281%

The solvency ratio was 247% on 31 December 2022, down by 34% from 281% on 31 December 2021. The drop was mainly driven by yield curve flattening and credit spread widening.

<u>Other Businesses Review</u>

During the year 2022, due to the continuous downward pressure of market conditions and the impact of the Company's strategic retrenchment, the securities business was exposed to greater pressure and challenges. We will continue to the strategy aiming to increase income while adhering to tight cost control and optimization of internal human resources and technology to achieve targeted market position.

During the year 2022, the employee stock ownership plan (“ESOP”) team continued to enhance service capabilities, upgraded system software functions and strengthened system operation functions, followed the goal of opening up the management side, and provided enterprises with self-service equity management. ESOP platform users grew steadily.

During the year 2022, the fintech business division has actively expanded new business demands and commercial opportunities, restored cooperation and trust with important customers of the original banking system, explored more cooperation methods and signed a series of new cooperation contracts. In addition, the Fintech division actively promoted the fund distribution platform model, expanded new fund platform users, and achieved preliminary results in the plan to expand the fund AUM through technology empowerment.

In 2022, the investment banking business focus on asset management and high net worth clients related services to expand new businesses steadily and maintained a stable trading volume and income on the premise of reducing expenditure.

Prospects

Looking ahead, the global financial market will continue to be affected by uncertainties such as economic and geopolitical factors. However, guided by the Outline of the 14th Five-Year Plan* (《"十四五"規劃綱要》), the Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* (《粵港澳大灣區發展規劃綱要》) and the Plan for Comprehensively Deepening Reform and Opening-Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone* (《全面深化前海深港現代服務業合作區改革開放方案》), Hong Kong will continue to deepen its cooperation with Guangdong and Macao. To shore up the Group's economic strength and competitiveness in this region, we will actively explore all suitable development opportunities, review existing business strategies, expand the business scope and consolidate the Group's position as a leading insurance and financial service provider in Hong Kong.

Liquidity and Financial Resources

As at 31 December 2022, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK$4,173 million (2021: HK$5,085 million). As at 31 December 2022, the Group has HK$1,393 million (2021: HK$1,382 million) bank borrowing outstanding and HK$1,641 million (2021: HK$1,641 million) shareholder's loan outstanding. The Group's gearing ratio as at 31 December 2022 is 16.96% (2021: 13.19%), 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 42(e) to the financial statements.

Risk Factors

In 2022, 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.

(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 5 "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 5 "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 5 "Insurance, 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 2022.

Charges on Assets

At the year ended 31 December 2022, the Group did not have any charges on assets, other than security deposits of HK$23,837,000 (2021: HK$9,900,000) for banking facilities and HK$16,508,677,000 (2021: HK$13,382,007,000) of investment together with HK$856,494,000 (2021: HK$727,089,000) 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 45 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 52 to the financial statements.

Staffing and Remunerations

As at 31 December 2022, the Group employed 603 (2021: 814) full time employees, 522 (2021: 619) of which were located in Hong Kong, 39 (2021: 27) in Macao and 42 (2021: 168) 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 2022:

	Use of proceeds HK$ million	*Unutilised proceeds up to 31 December 2021* HK$ million	*Actual usage from 1 Jan 2022 to 31 December 2022* HK$ million	*Unutilised proceeds up to 31 December 2022* HK$ million	*Expected timeline for utilising the remaining net proceeds*
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	-	-	-	-
Total	2,041.0	1,224.6	-	1,224.6	

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 maximize the Shareholders' interest as a whole.

Event after the Reporting Period

Details of event after the reporting period are set out in note 53 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 2022 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 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 2022. Cost of Capital is the difference between the amount of required capital as at 31 December 2022 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 2022 to 31 December 2022.

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 2022 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 2022 to 31 December 2022.

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 ("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 2022 is 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 2022 HK$ million	*31 December 2021* HK$ million
Adjusted Net Worth	8,942	5,610
Value of in-force business before cost of capital	13,960	14,834
Cost of capital	(2,315)	(2,383)
Embedded value	20,587	18,061
Attributable to:		
Owners of the Company	14,370	12,607
Non-controlling interests	6,217	5,454
Embedded value	20,587	18,061

5.2 New Business value

	For the past 12 months as of 31 December 2022 HK$ million	*For the past 12 months as of 31 December 2021* HK$ million
New Business Value before cost of capital	893	851
Cost of capital	(135)	(171)
New Business Value after cost of capital	758	680

5.3 Movement analysis of embedded value

	Notes	*2022* HK$ million	*2021* HK$ million
Embedded Value as at 1 January		18,061	15,736
New business value	a	758	680
Expected return on Embedded value	b	1,565	1,360
Assumption and model changes	c	2,267	558
Investment return variance	d	(1,635)	92
Other experience variance and exchange rate impact	e	(429)	(365)
Embedded Value as at 31 December		20,587	18,061

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 2022 and 2021 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 allowance for 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 2022. 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 has been assumed for 2022.

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

The cost of the financial reinsurance has been modelled.

5.5 Sensitivity testing

We performed sensitivity analysis on the value of in-force business and the new business value as at 31 December 2022, 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 2022 Assumptions	*Value of in-force business after cost of capital* HK$ million	*New business value after cost of capital* HK$ million
Base scenario	11,645	758
New money yields increased by 100 basis points per annum	12,588	837
New money yields decreased by 100 basis points per annum	9,914	669
Risk discount rate increased by 50 basis points	10,786	701
Risk discount rate decreased by 50 basis points	12,593	821
10% increase in lapse rate and skip premium rates	11,478	732
10% decrease in lapse rate and skip premium rates	11,836	785
10% increase in mortality and morbidity rates and loss ratios	10,677	723
10% decrease in mortality and morbidity rates and loss ratios	12,630	793
10% increase in acquisition and maintenance expenses	11,421	728
10% decrease in acquisition and maintenance expenses	11,870	788

Biographical Details of Directors and Senior Management

Chairman

Mr. Yu Feng, aged 59, 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 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 Director

Mr. Huang Xin, aged 47, was appointed as an executive Director and a member of the Remuneration Committee in November 2015 and was appointed as interim chief executive officer of the Company in September 2022. Mr. Huang is a partner and a member of the investment committee of Yunfeng Capital. Mr. Huang served as vice president of Shanghai Kaituo Capital Limited from 2006 to 2010, where he was in charge of various investments. Mr. Huang was vice president of finance at Target Media Holdings Limited from 2005 to 2006, where Mr. Huang managed its daily financial operations and led its equity financing and merger and integration with Focus Media Holding Limited. 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.

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. Adnan Omar Ahmed, aged 55, was appointed as a non-executive Director in November 2018. Mr. Ahmed is also a director of YF Life. Mr. Ahmed is the chairman, president and chief executive officer of MMI, a substantial shareholder of the Company. Mr. Ahmed joined MMLIC, the parent holding company of MMI, a substantial shareholder of the Company, in October 2015 as Executive Vice President and Chief Human Resources Officer. Mr. Ahmed brings with him an impressive history of more than 20 years of global financial services and leadership experience, ranging from operating to human resources roles. He joined MMI from Citigroup, Inc. in London where he was Managing Director and Head of Human Resources for Europe, Middle East and Africa as well as the Global Head of Recruitment for the firm. Previously, he led global shared services in the operations and technology division for all of Citigroup employees.

Prior to joining Citigroup in 2010, Mr. Ahmed began his career at Mitsubishi UFJ Financial Group, rotating through various roles including corporate finance, operations, credit and human resources. He then spent 17 years at Morgan Stanley in New York, Tokyo, Sydney and Hong Kong, during which time he held a range of roles including Chief Administrative Officer and Head of Human Resources, Asia.

Mr. Ahmed is on the Advisory Board of NPX Capital, Korea since October 2019 and also on the Advisory Board of Essenlix Corp., US since November 2020. He has been a non-executive director on the board of Nippon Wealth Insurance in Japan, a subsidiary of Nippon Life from 2018-2021. Prior to these directorships, he also served on the board of Temasek Management Services, Singapore between 2010-2018, Human Capital Leadership Institute in Singapore from 2017-2019, and Bank Handlowy, Poland and Citibank Turkey, both between 2012-2015.

Mr. Ahmed holds a bachelor of science degree in computer science, a bachelor of arts degree in international relations, and a master's degree in business administration, all from Tulane University. He is based in Hong Kong.

Mr. Michael James O'Connor, aged 54, 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 2008-2011, 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 Chief of Staff to MMLIC's CEO Roger Crandall and later as head of corporate development and mergers and acquisitions and then as head of MMLIC's international insurance operations.

Non-Executive Directors (continued)

Prior to joining MMLIC, Mr. O'Connor served from 2002-2005 as U.S. General Counsel of Irving Oil Corporation, an independent global petroleum refiner and marketer. 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 43, was appointed as a non-executive Director in November 2015, and was re-designated as an executive Director and appointed as interim chief executive officer in February 2020, and was re-designated as a non-executive Director in August 2022. She has ceased to be the interim chief executive officer of the Company in October 2020. Ms. Hai is a managing director of Yunfeng Capital and specialises in investments and management related to the financial services industry, especially for 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 58, 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 director and 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.

Independent Non-Executive Directors (continued)

Currently Mr. Qi serves as independent director of Sohu.com Inc. (NASDAQ: SOHU) and Momo Inc. (NASDAQ: MOMO), all of which are listed on NASDAQ; and 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 74, 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 chief representative, China of Teck Resources Limited. Mr. Chu was responsible for the development of an Asian strategy 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 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.

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.

Independent Non-Executive Directors (continued)

Mr. Xiao Feng, aged 61, 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 executive director of China Wanxiang Holding Co., Ltd. (中國萬向控股有限公司). 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, chairman or president of various finance company, fund or asset management company, trust company and insurance company.

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 14 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 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. Huang Xin (Interim Chief Executive Officer)

Non-executive Directors

Mr. Adnan Omar Ahmed
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 2022 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 Interim CEO, Mr. Huang Xin, 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 4 Board meetings and 1 general meeting, including the annual general meeting were held and the attendance of each Director is set out below:

	Number of meetings attended in the year ended 31 December 2022 / Number of meetings eligible to attend				
	Board	*NC*	*RC*	*AC*	*AGM (Note)*
Chairman					
Mr. Yu Feng (non-executive Director)	4/4	1/1	-	-	1/1
Executive Directors					
Mr. Huang Xin	4/4	-	1/1	-	1/1
Mr. Cheung David (resigned on 28 September 2022)	3/3	-	-	-	1/1
Non-executive Directors					
Mr. Adnan Omar Ahmed	4/4	-	-	-	0/1
Mr. Michael James O'Connor	4/4	-	-	-	0/1
Ms. Hai Olivia Ou (re-designated as non-executive Director on 3 August 2022)	4/4	-	-	-	1/1
Independent non-executive Directors					
Mr. Qi Daqing	3/4	1/1	1/1	2/2	1/1
Mr. Chu Chung Yue, Howard	4/4	1/1	1/1	2/2	1/1
Mr. Xiao Feng	4/4	-	1/1	2/2	1/1

The Board (continued)

Note:

NC – Nomination Committee
RC – Remuneration Committee
AC – Audit Committee
AGM – annual general meeting held on 28 June 2022

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:

Directors	***Continuing Professional Training on corporate governance, regulatory development and other relevant topics***
Chairman	
Mr. Yu Feng (non-executive Director)	✓
Executive Directors	
Mr. Huang Xin	✓
Mr. Cheung David (resigned on 28 September 2022)	✓
Non-executive Directors	
Mr. Adnan Omar Ahmed	✓
Mr. Michael James O'Connor	✓
Ms. Hai Olivia Ou (re-designated as non-executive Director on 3 August 2022)	✓
Independent non-executive Directors	
Mr. Qi Daqing	✓
Mr. Chu Chung Yue, Howard	✓
Mr. Xiao Feng	✓

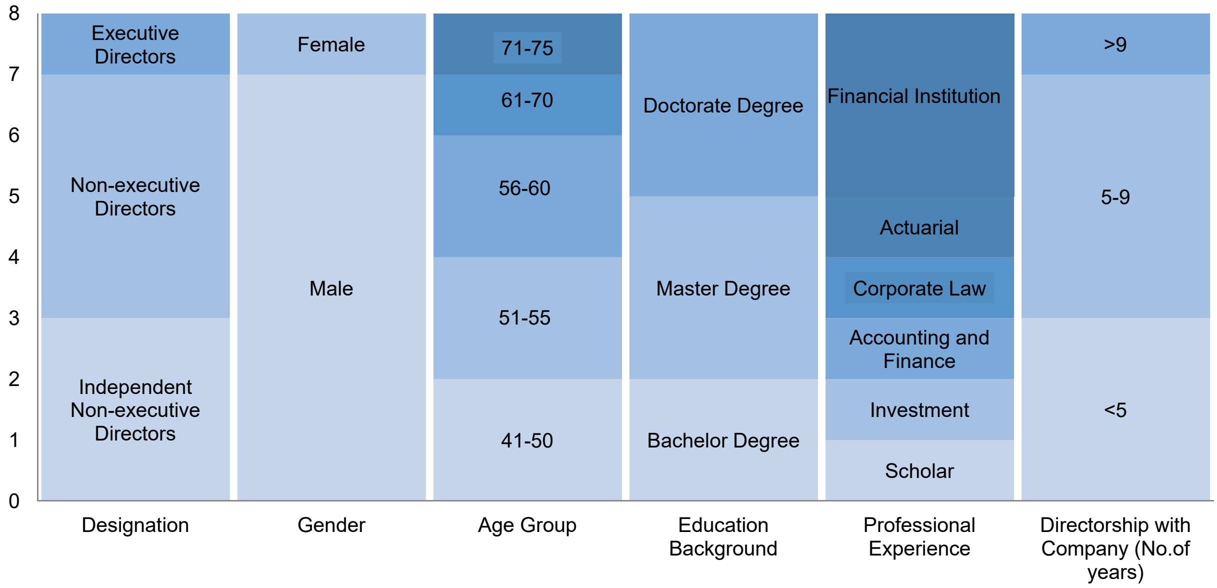
Board Diversity Policy

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 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.

During the Year, the Remuneration Committee held 1 meeting. 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$5,000,000	2
HK$5,000,001 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.

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 1 meeting. The Nomination Committee reviewed the structure of the Board and the Board Diversity Policy, and considered the 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, skill, 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 2022* HK$'000	*31 December 2021* HK$'000
Audit services	12,370	10,593
Non-audit services	1,277	1,603
Total	13,647	12,196

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.

Risk Management and Internal Control (continued)

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 defences 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 Defense" 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 2022, 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 2023 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, 18th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2845 9036 / (852) 3102 9022
Email: 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.

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, 30 March 2023

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements for the year ended 31 December 2022.

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 indictors is also provided in MD&A of this announcement. Discussions on the Group's 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 and Hong Kong dollars. However, most of the insurance policies are denominated in U.S. dollars. As the Main Subsidiary of the Group'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 2022, HKD liabilities were closely hedged by currency swaps and forward contracts and HKD bond.

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 (amortised cost investment) 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 2022, 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 2022, the top cyber threats under concerns also includes:

a) Data 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) 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 2022, and the risk management and internal control report in year 2022 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 (2021: nil).

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in note 42(e) to the financial statements.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2022 are set out in note 42(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 2022, 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 43 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 2022, 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 43 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. Huang Xin (appointed as Interim Chief Executive Officer on 28 September 2022)
Mr. Cheung David (resigned on 28 September 2022)

Non-executive Directors

Mr. Adnan Omar Ahmed
Mr. Michael James O'Connor
Ms. Hai Olivia Ou (re-designated as non-executive Director on 3 August 2022)

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, Ms. Hai Olivia Ou, Mr. Chu Chung Yue, Howard and Mr. Qi Daqing shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 2022 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, Adnan Omar Ahmed, Yip Ka Lin Victor, Chan Man Ko, Ng Yu Lam Kenneth, Liu Shu-Yen, Xu Jinghui, Lee Siu Chuen, Wong Gah Jih, Yu Tin Yau Elvin, Tse Chi hung, Liu Zhiguang, Leung Pui Hong, Ku Sanqi, Gao Ariana Jiasui, Zhou Haigen, Zhang Ting, Jiao Qi, Wang Jing[1], Li Wenjia[1], Brian Eden[1], Neil Gray[1], Cheung David[2], He Shiqiang[2], Wong Yin Hing[2], Dai Shuyan[2], Liu Shaojie[2], and Ng Shan Yung[2].

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 2022, 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:

		Number of Shares held	
Name of Director	***Capacity/Nature of interests***	***Long position***	***Percentage of shareholding***
Mr. Yu Feng *(note1)*	Held by controlled corporation/Corporate interest	1,827,641,279	47.25%

Note:

1. 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:

			Number of Shares held in Associated Corporation	
Name of Associated Corporation	***Name of Director***	***Capacity/Nature of Interests***	***Long position***	***Percentage of shareholding***
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:

1. 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.

2. 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 2022, 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 2022, 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.

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

Notes:

1. 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.

2. 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 2022, 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:

	Proposed Annual Cap for the Year Ending 31 December (HKD'000)			
	2021	***2022***	***2023***	***2024***
Total fees	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 2022 is approximately HK$83,921,000 (being 69% of the annual cap for 2022.

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 "2022 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 2022 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 2022 CCTs have not been approved by the Board;

(ii) the 2022 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 2022 CCTs has exceeded the annual cap of 2022 as disclosed in the 2019 Announcement and 2020 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 46 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 46 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 accounted for approximately 1.24% of the total revenue for the Year, with the single largest customer contributing approximately 0.42%.

The Group is a provider of 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 (2021: 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 14 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 Hong Kong Stock Exchange Main Board, 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 authorized 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, pension, and mandatory provident fund schemes. YF Life is 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 our governance structure and investment, and delivering sustainable returns to our 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 "comply or explain" provisions of the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the preparation of this ESG Report, the Group follows the four reporting principles as set out in the ESG Guide:

Reporting principles	Application in this ESG Report
Materiality	Material ESG issues were identified through materiality assessment and prioritised with inputs from the Group's stakeholders. These issues are reflected in this ESG Report.
Quantitative	The Group accounts for and discloses ESG key performance indicators ("KPIs") quantitatively to evaluate the effectiveness of ESG policies and strategies.
Balance	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 improvements.
Consistency	The Group adopts consistent methodology in compiling ESG data reported in previous years to allow for 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 for the period from 1 January 2022 to 31 December 2022. 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 of the Group in Hong Kong S.A.R. ("Hong Kong"), Macao S.A.R. ("Macao"), and the Mainland of People's Republic of China ("PRC"). The reported ESG data cover offices of the Group below:

— Two Company offices in Hong Kong and Shenzhen;

— Fifteen YF Life offices and one warehouse in Hong Kong; and

— Five YF Life branch 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.

OUR APPROACH TO ESG

ESG Governance and Risk Management

The Board is ultimately accountable for the performance of ESG-related issues by evaluating and determining the nature and extent of the risks which it is willing to take whilst achieving the Group's strategic objectives and maintain sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard Shareholder's 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 Main Subsidiary of the Group (insurance business) (the "Board of Subsidiary") has established its own audit committee and board risk committee, which provides 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 ("Management of Subsidiary") of the Group. The risk management committee established by the Management of Subsidiary is responsible for continuous identification, monitoring, and reporting 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 for identified control weakness. Overall, the Board oversees the implementation and supervision of the risk management and internal audit matters of the Group, which the Board of Subsidiary reports to the management of the Yunfeng Financial Group.

The internal control system is supervised by the senior management of the Group, including executive directors together with heads of business functions composed of operations, finance, risk management, information technology, legal, and compliance, which is responsible for the regular review of the overall risk management and effectiveness of control of non-insurance business.

As we are primarily engaged in the financial and insurance service 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 senior management of the Group, including executive directors together with heads of business functions, and implemented primarily through our operations, finance, risk management, information technology, legal, and compliance teams.

The Group adopts a top-down approach in managing 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 in relation to ESG and risk management. To effectively manage our ESG-related issues, coordinators from 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 performances are aligned with relevant goals and targets. To safeguard shareholders' investment and the Group's assets, the Board reviews its risk management and internal control systems effectiveness on an ongoing basis to ensure they can meet and deal with the ever-changing business environment.

As regards 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 on our ESG approach, we regularly engage our key stakeholders through multiple communication channels, such as meetings, performance reviews, exhibitions and etc. Their key concerns are summarised as follow:

Summary of stakeholders' communication channels

Stakeholder groups	Communication and feedback channels	Frequency	Topics of discussion
Employees	• Meetings • Performance reviews • Internal email correspondences	• Monthly • Annually • Event-driven basis	Talent attraction, development, and retention
Shareholders	• Annual general meetings ("AGM"), extraordinary general meetings ("EGM") • Announcements, annual reports, interim reports, circulars	• Annually for AGM • Event-driven basis for other channels	Business development Financial performance Corporate governance Major corporate actions and transactions
Regulators	• Correspondence mails/emails • Phone calls • Site visits	• Event-driven basis	Compliance with regulations Business updates
Clients	• Know-your-client (KYC) onboarding process • Face-to-face meetings with our business representatives • Phone calls and emails with our client service representatives	• Meeting/phone call, emails on event-driven basis • Electronic trading platform on event-driven basis	Product and trading system quality and development Fair and transparent dealing practice Enterprise branding
Business partners	• On-site visits • Meetings • Conference calls	• Event-driven basis	Business development Fair business practice and market reputation

			Sound financial strength and management
Media	• Press releases • Marketing campaigns • Exhibitions	• Event-driven basis	Business development and strategies Product and service promotion
Communities	• On-site visits • Meetings	• Event-driven basis	Policy and commitment to communities

Materiality assessment

We value stakeholders' concerns and views on our sustainable development and therefore we conducted interviews and surveys to identify the ESG-related priorities to 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 our business operations.

With no significant changes to the Group's businesses and across the industry, we continue to consider the overall social aspects to be more material than environmental aspects, 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 views employees as its most valuable assets. We strive to create a diverse, inclusive, safe and positive working environment where everyone can excel and achieve business goals. The Group is committed to maintaining the workplace with fairness and respectfulness. The Employee Handbooks of the Group and YF Life govern our human resources practices, 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 benefit packages, including share option and share award schemes, retirement, and medical benefits, insurance coverage, and leave entitlement commensurate to market standards.

The Group believes that contributions by each employee counts to our success. We recognise the importance of sharing the success and reward the individuals based on their annual appraisal. We also provide unparalleled career development opportunities, such as internal mobility program, such that our employees can leverage their full potential and gain exposure to work with different teams and clients.

Diversity and equal opportunity

The Group values a diverse workforce as it enables us to access a greater range of talents and produce impactful results for our stakeholders. We strictly observe the regulations stated in our equal employment opportunity policy to guarantee employees' basic rights. We strictly observe the regulations stated in our equal employment opportunity policy 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 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 shall be carried out without disclosing the whistle-blower's identity. Shall any cases be confirmed as violations, appropriate disciplinary action would be taken accordingly or even termination of employment.

To encourage better leadership and corporate governance, the Group adopted a board diversity policy since October 2013, which clearly outlines our commitment to non-discrimination and equal opportunity. Our diversity policy guides us to achieve board diversity by considering of a number of 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

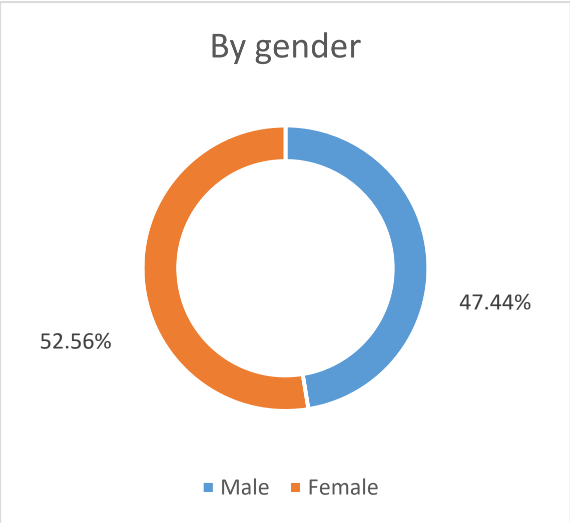
The Group has zero tolerance towards all forms of child, illegal and forced labour practices. We are committed to strict compliance with all applicable laws and regulations in the respective jurisdictions, including Employment of Children Regulations and other regulations under the Employment Ordinance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

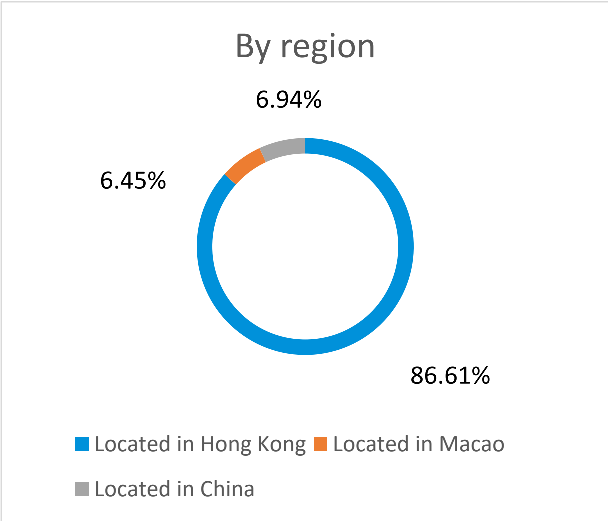
During the reporting period, we were not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to human rights.

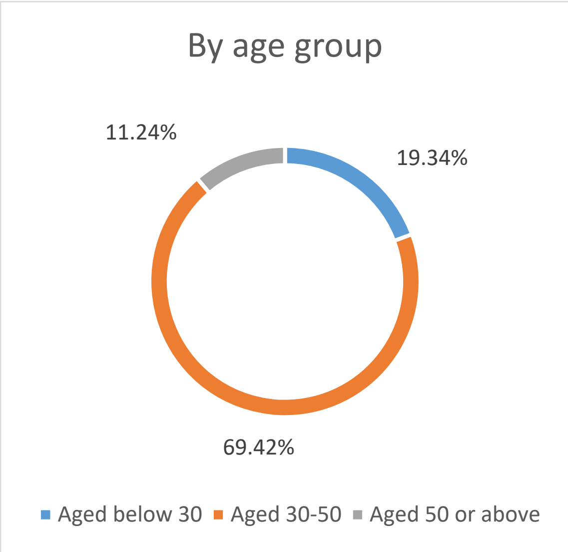
Our Workforce

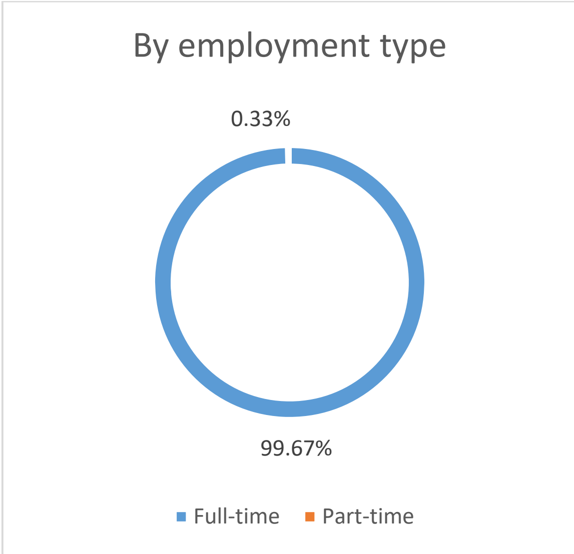
As at 31 December 2022, we have 605 employees in total, 603 of which were full time and 2 were part-time. 524 of which were located in Hong Kong, 39 in Macao and 42 in the People's Republic of China.

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









The overall turnover rate was 36.50% in 2022, and breakdown of turnover by gender, geographical region, and age group is provided in the table below.

Breakdown of turnover rate

Turnover by category	Employee turnover in 2022	Turnover rate in 2022 (%)
By gender		
Male	143	41.57%
Female	116	31.74%
By geographical region		
Hong Kong	158	27.87%
Macao	4	10.67%
PRC	97	92.38%
By age group		
Below 30	87	47.67%
30-50	152	33.59%
Above 50	20	26.85%

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 have a significant impact on the Group relating to preventing child or forced labour.

Employee health and safety

The health and safety of our employees are of great importance to the Group, hence we are committed to provide a safe working 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. While our employees are not typically exposed to high-risk activities, regular safety inspection is conducted to ensure compliance with relevant regulations and safety of our office environment. Fire drill is conducted annually to raise the safety awareness of our employees and minimise the risks in case of emergency at offices.

Furthermore, the Group has supported people's wellbeing and health to create a positive environment, by providing medical insurance coverage, covering services like 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 relating to health and safety.

Occupational Health and Safety Statistics in 2022

Work-related fatality from FY2020 to FY2022: 0

Work-related injuries: 0

Lost days due to work-related injuries: 0

Development and training

The Group continues to invest in our employees at all stages of their careers to promote their long-term professional and personal development. We provided a series of training programmes for all employees in terms of their job levels. New hires are briefed on our high standard of core value and their responsibilities as well as legal compliance, company product knowledge, sales techniques and subsequently introduced to their mentors. For management staff, we offered trainings on leadership to boost their skills in discharging managerial responsibilities.

In 2022, the overall trainings for the Group were as follow:

Percentage of trained employee by category	
By gender	
Male	86.1%
Female	93.7%
By employment category	
Management	69.2%
Non-management	90.7%

Average training hours	
By gender	
Male	2.7 hours
Female	2.9 hours
By employment category	
Management	2.5 hours
Non-management	2.8 hours

To ensure that our agents comply with the regulatory requirements, we offered regular legal compliance e-refreshers on various topics, including anti-money laundering, direct marketing, and data privacy. Agents are required to complete the compliance trainings, or else their agency contract may be terminated. We have also established an "Internal Compliance Guide for Sales to PRC Clients" outlining the compliance requirements for agents working on insurance sales to mainland clients.

Apart from the abovementioned trainings, we encourage our employees at YF Life to join the Designation Programs offered by the Life Office Management Association (LOMA), which offers programs related to customer services, reinsurance and compliance, allowing our staff to learn various facets of the insurance industry and equip our staff with the vital skills to stay relevant in the changing world. Furthermore, through providing course fee reimbursement and offering examination leaves, we encourage our employees to participate in self-improvement courses which are beneficial to their career development, enhancing their professional knowledge and skillsets.

Our culture actively supports the continuous development of our employees by offering a series of internal and external training opportunities in non-insurance business and compliance, encompassing a large variety of topics, team-building sessions, FATCA[1] and CRS[2] updates, SFC[3] seminars with regulatory updates, financial reporting updates, anti-money laundering and counter financing of terrorism, cybersecurity, and data breach, and refresher training on compliance matters for our staff.

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

[1] Foreign Account Tax Compliance Act
[2] Common Reporting Standard
[3] Securities and Futures Commission

OPERATION PRACTICES

Product responsibility

We aim to achieve service excellence by providing our customers with quality insurance products and other financial services. Both industries are highly regulated by the governing bodies and regulators such as the Hong Kong Securities and Futures Commission, Hong Kong Insurance Authority, Hong Kong Mandatory Provident Fund Schemes Authority, and Monetary Authority of Macao. We strictly abide by relevant laws and regulations including sales practice, KYC check, credit control, compliance, risk disclosure, information protection and data security, and trademarks and intellectual property. All employees are required to undergo compliance refresher trainings regularly to ensure they are capable of providing quality services to our customers.

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

Providing quality insurance product and services

Our insurance products are developed to provide financial security and support customers to manage the unexpected and their lifelong planning. We strive to provide high quality products to our customers and abide to all relevant laws and regulations. To remain abreast of the evolving market, we collaborate with different institutions from time to time to conduct market research and ensure our products suit our customers' needs.

Agents being our bridge to the customers, they are all properly licensed according to 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 the industry best practices, our agents are also required to conduct business in accordance with our "Agent Handbook". We regularly communicate and educate our agents of 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 Clients" in place to provide guidance to our staff and agents the "Dos and Don'ts" when dealing with PRC clients. The policy covers daily practices, from sales and mentoring to internal training and qualification requirements. Agents are required to follow the internal qualification requirements with no exceptions.

The monitoring of our service quality also extends to the post-sales periods. We follow industry practices as issued by the Hong Kong Insurance Authority, such as making audio-recorded calls to reaffirm client's understanding of the insurance policy 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 practice 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 used to govern the new product launching process and mitigate relevant risks of 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 making informed decisions in relation to their wealth and investment opportunities. We ensure that our communication materials displayed in a clear, concise and transparent manner to ensure that individuals understand the terms and conditions and can make informed decisions based on accurate and reliable information. In addition, clients could raise their concerns in our chatbot which provides automatic replies to frequently asked questions, and if they are not satisfied with the answers, they will be directed to our customer service representatives.

Customer privacy and feedback

Information security and business continuity

The Group is committed to safeguarding client confidentially. We strive to minimise the risks from our operations to provide customers with quality products and services. Our group-wide Cybersecurity Policy and Information Security Policy of YF Life outline our rationale to collect, process and maintain data in the principles of confidentiality, integrity and availability.

We strictly comply with the Personal Data (Privacy) Ordinance in Hong Kong. Any violation of data privacy obligations is subject to disciplinary actions. Access permissions are kept to the minimum necessary to protect our clients' data and information leakage from unauthorised or accidental access, and erasure. In addition, our Corporate Compliance Guide also outlines the fundamental principles in handling customers' data. When providing service to clients, we ensure that personal data will only be collected for necessary purposed by lawful and fair means. Employees failed to observe customer confidentiality are subject to internal disciplinary action.

As the growth of cyber threats accelerates, the Group continues to enhance our cybersecurity protection guided by our Cybersecurity Policy. We ensure that employees abide our policies by offering cybersecurity trainings and updates on the latest cybersecurity risks.

The stability of our systems enables us to deliver high-quality services. 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 the emergency. We developed our infrastructure with regular back-up features at managed data centres. In case of server breakdown, we can switch to the back-up server within a short period to ensure minimal disruption to our services.

Customer Feedback

We aim to achieve service excellence by thoroughly understanding the needs of customers and surpassing their expectations. We provided various channels and platforms, including customer service hotline and email, to collect customer feedback and suggestions timely. Our customer service representatives are trained to address complaints from our customers professionally, pragmatically, and swiftly. In addition, we also 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 its new trademark, labels, and product designs in all operations. In addition, all software used in our daily operations are 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 on any forms of bribery, extortion, fraud or money laundering in our operation. Our Corporate Compliance Guide outlines the expectations of ethical behaviour for all employees to achieve and maintain the highest standards of integrity. Business practice and controls for preventing and combating corruption are assessed at both 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 in full of applicable laws and regulations related to anti-money laundering (“AML”) and Counter-Financing of Terrorism (“CFT”) to prevent the use of its 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. Under the policy, a clear and comprehensive mechanism has been implemented to report on money laundering related matters. From time to time, updates are made to the policy to incorporate the latest legal requirements that 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.

For our other financial services regulated by the Hong Kong SFC, regulated entities under the Company are governed by our AML/Know-your-client ("KYC") policy and is based on the following fundamental principles:

- Exercising due diligence when dealing with customers, natural persons appointed to act on the customer's behalf, connected parties of the customer and beneficial owner of the customer.

- Conducting business in conformity with the Group's ethical standards and guarding against establishing any business relations or undertaking any transaction, that is or maybe connected with or may facilitate money laundering or terrorism financing.

- Assisting and cooperating with the relevant law enforcement authorities to prevent money laundering and terrorism financing.

- Providing annual training to ensure all relevant employees are aware of their personal responsibilities and the procedures to be adhered to.

The Group has established a Whistleblowing Policy and a Speak-up Policy for employees. 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.

We take initiatives to enhance employees' awareness and understanding of business ethics. The Group has organised the corruption and bribery prevention trainings during the reporting period. For example, employees of the Company receive annual refresher training and updates on important compliance guidelines, and at YF Life the Independent Commission Against Corruption is invited to provide annual workshop to strengthen employees' awareness towards possible misconduct. To enhance corporate management, we standardise our expenditures through the Regulations on Financial Expenditure Management by clearly documenting the various approval requirements of different expenditures by their nature and amount.

During the reporting period, there was no reported non-compliance relating 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 in our dealing with suppliers. The Group work with a range of suppliers to support our operations, including information technology. Through taking prudent approach, we assess and select our suppliers based on capability, pricing, certifications, availability of local support, and possible synergy from leveraging other services.

For our other financial services, effective counterparty and transaction due diligence processes are vital to our business operation as to form long-term partnerships with our valued business partners. We promote an ownership system where service/business users within the Company are responsible for selecting the counterparties and entering into 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 addressed 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 the senior management and Risk Oversight Committee for thorough review and discussion to determine the next 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 need for, and depth of, additional due diligence of counterparties including counterparty risk and the corresponding extent of on-boarding procedures required. We have outlined the activities and types of counterparties that the Company does not associate with, such as those where there is evidence of forced or child labour and certain transactions involving market misconduct, mis-selling, or those with negative publicity. For service quality maintenance purposes, we continue monitoring all existing counterparties' market reputation and business practice.

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

The Group has extended responsibilities and standards in relation of environmental protection and social compliance to our suppliers, which we prioritise working with environmentally and socially responsible suppliers. The Group expects fair and equal employment practices from our suppliers and has zero tolerance for 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 team 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 different product initiatives, financial infrastructure, and applications, by developing 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 engage with 89 suppliers of which 87% are based in Hong Kong.

ENVIRONMENT & COMMUNITY

Environment

Use of resources

We operate in a way that respects nature as we recognise that every decision we make, and choices enacted, can influence the future of the planet. We are committed to minimising environmental impacts from our operations to respond to climate-related risks by adopting energy-saving practices and technologies.

Among the Main Subsidiary's equipment use within the office environment, the network units consume the most energy. The 24x7 cooling system with open-rack design helps to control the energy efficiency at office's network room. In the rented data centers, there is a 24x7 cooling technology system with airflow optimization and open-rack design for reducing energy consumption.

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

— Switching off idle lightings, air conditioning and electrical appliances to reduce energy consumption;

— Encouraging double-sided printing and using recycled paper for printing and copying;

— Encouraging 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 Energy Efficiency of Lighting Installations under Buildings Energy Efficiency Ordinance that requires professional engineers to calculate the energy consumption and guide the E&M contractors in following the regulatory requirements. During new office renovations, it prefers LED lights over fluorescent lights to reduce electricity consumption.

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

Details of electricity, water and paper consumption at our offices are summarised in the table below.

Summary of resources consumptions

Use of resources	Unit	2021	2022
Electricity	kWh	3,805,874	2,546,489[4]
Water[5]	m^3	613[6]	640
Paper (A3)	Sheets	110,731	77,841[7]
Paper (A4)	Sheets	8,562,908	7,827,625

Emissions

Due to the nature of our business operations, we do not produce significant direct environmental emissions such as air emission, discharges to water and land, and the generation of hazardous and non-hazardous wastes, and do not consider such emissions to be material. However, we are aware of the carbon emissions from 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 office to reduce air emissions. 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 environmental emissions reported.

The environmental and natural resources

The Group has been committed to protect the environment by incorporate ESG considerations into business. At YF Life, Barings LLC is appointed to be the investment manager of 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 long-term risks and opportunities and enhances the stability of our portfolio.

[4] The Company's Beijing office and one YF Life Hong Kong office were closed in 2022, causing the drop in electricity consumption.
[5] 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, ten YF Life Hong Kong offices and three YF Life Macao offices.
[6] The water consumption in 2021 is amended to align with the scope in 2022.
[7] Paper consumption reduction in 2022 reflects our efforts in the transition to a paperless operation.

We seek to work with top-tier fund managers for our wealth management services, which have incorporated fundamental ESG considerations into their investment decisions. We select mutual fund partners by focusing on new industries and avoid investment in industries with negative ESG impacts. As part of our due diligence procedures, we also conduct news screening on funds to better understand their ESG performance. Any adverse media identified, including ESG-related ones, may trigger 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 not formulated specific policies or guidelines, we are considering incorporating ESG factors in our investment strategies and financial services.

Climate change

Climate change is undoubtedly one of the greatest challenges faced by the world today. We must be prepared to manage such risks to minimise impacts to our business.

Physical risks of climate change brought by extreme events can be far-reaching and affect the quality of life for our communities, which will lead to significant disruptions to our businesses in the long term, adversely impacting economic output, and damaging asset and properties. Moreover, transition risks pose a significant near-team threat to our operation. From the transition to a low-carbon economy, assets of carbon-intensive companies may deteriorate, affecting the portfolio’s returns. Extreme weather changes the market needs on insurance products and services, creating a strategic risk to overall business viability.

Community Investment

We leverage our influence and resources to build greater resilience and more sustainable livelihoods. The Group works closely with the charitable organisation that align with our visions through active engagement and investing in meaningful initiatives to the maximum practicable extent to charitable organisations.

YF Life Jr. Space Camp Program

The “YF Life Jr. Space Camp Program” was a first of its kind programme started by YF Life Insurance International Ltd. in 1999 to provide simulated astronaut training for children from Hong Kong and Macao. Since its inception, this program has helped over 150 children make their space dreams come true. With its all-round, innovative, and unique training methodology, the program is designed to spark and nurture children’s interest in space exploration and advanced aerospace technology and strengthen the parent-child bond through a series of parent-child collaboration activities. The program’s slogan, “It is Possible!” encourages children to disregard the difficulties, and to reach out their dreams with courage and perseverance.

With the spread of COVID-19 and in the interests of all participants’ health and safety, the YF Life Jr. Space Camp Program was suspended for three years. We will resume the program in the coming year due to easing of pandemic control measures.

Own the Future with COVID-19 protections

The pandemic has inundated us with numerous challenges to our daily lives and the Group continued to offer multiple protections for our customers and HK$1.2 million benefit payment was made, including Hospital Income Benefit, Pre-hospitalization Outpatient Benefit, COVID Test Protection, Protection for Adverse Effects following Immunization and Death Benefits. With tightening of social distancing measures, people have inevitably tended to grow further apart and therefore we have launched a campaign, "Lessons Learnt From the Epidemic" that illustrates a series of heart-warming stories from our consultants and customers, to encourage everyone to stay optimistic and radiate positive energy to people around us. In line with the launch of the campaign, we have given away 4,000 packs of anti-epidemic gift sets. We have also donated Rapid Antigen Test (RAT) kits and face masks to various community organisations, our staff and front line consultants to help prevent the spread of the virus in the community.

Participation and sponsorships in social and environmental events

We also actively participate in charitable events organised by non-governmental organisations ("NGOs"). In 2022, we continued to participate in and make monetary donations to the Virtual Walk for Millions, Skip Lunch Day, Dress Casual Day, and Love Teeth Day organised by The Community Chest of Hong Kong. In addition, we have also participated in the World Sight Day 2022 and Action for Sight 2022 organised by Orbis in Hong Kong and Macao, respectively.

To raise public awareness on climate change, we participated in the Lai See Reuse and Recycling Program organised by Greeners Actions and the Earth Hour 2022 organised by the World Wide Fund for Nature. Employees were encouraged to participate in these community events and make donations to show their support.

Moreover, we participated in Blood Transfusion Day 2022 co-organised by Lions Clubs International District 303 and Hong Kong Red Cross, and "LUAHK Charity Sales" organised by the Life Underwriters Association of Hong Kong ("LUAHK"), to inspire and empower our employees to actively respond to the needs of the communities surrounding us.

The Group has enhanced the overall cultural literacy of our society and the public by sponsoring and promoting the development of local art groups in Hong Kong, creating widespread interest among the general public for the refinement and elegance of arts. YF Life has been the major founding patrons of Hong Kong Arts Festival Foundation with a donation amount of HK$3 million, which supports the development of art projects and create a transformative impact in the long run.

APPENDIX: HKEX ESG REPORTING GUIDE INDEX

	Aspects	Section	Remarks
A	**Environmental**		
A1	**Emissions**		
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.
A2	**Use of Resources**		
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.
A3	**The Environment and Natural Resources**		
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	
A4	**Climate Change**		
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	**Social**		
B1	**Employment**		
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	
B2	**Health and Safety**		
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	
B3	**Development and Training**		
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	
B4	**Labour Standards**		
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	
B5	**Supply Chain Management**		
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	
B6	**Product Responsibility**		
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	
B7	**Anti-corruption**		

	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	
B8	**Community Investment**		
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 income statement for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
Income			
Premiums and fee income	6	9,428,472	8,478,584
Premiums ceded to reinsurer		(2,721,432)	(2,749,249)
Net premium and fee income		6,707,040	5,729,335
Change in unearned revenue liability		(577,793)	(575,893)
Net earned premium and fee income		6,129,247	5,153,442
Brokerage commission, interest and other service income		26,664	34,809
Subscription, management and rebate fee income		6,646	7,855
Consultancy and advisory income		-	-
Net investment (loss)/income	7a	(287,131)	3,213,404
Overlay adjustment		609,559	(377,429)
Other income	7b	2,389,570	2,443,885
Reinsurance commission and profit		80,909	78,771
Total income		8,955,464	10,554,737
Benefits, losses and expenses			
Net policyholders benefit	8	(1,306,489)	(2,506,126)
Commission and related expenses	9	(1,612,125)	(1,813,471)
Deferral and amortisation of deferred acquisition costs and value of business acquired		1,053,222	1,361,780
Management and other expenses		(1,150,462)	(1,207,563)
Change in future policyholder benefits	10	(5,872,557)	(5,441,211)
Total benefits, losses and expenses		(8,888,411)	(9,606,591)
Finance costs	11(c)	(162,484)	(149,120)
Share of results of associates	20	(7,954)	740
(Loss)/profit before taxation	11	(103,385)	799,766
Tax expenses	12	(7,463)	(7,101)
(Loss)/profit after taxation		(110,848)	792,665

Consolidated income statement for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
(Loss)/profit attributable to:			
Equity shareholders of the Company		(256,400)	513,414
Non-controlling interests		145,552	279,251
		(110,848)	792,665
(Loss)/earnings per share attributable to equity shareholders of the Company			
Basic *(HK$)*	15(a)	(0.067)	0.133
Diluted *(HK$)*	15(b)	(0.067)	0.133

The notes form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
(Loss)/profit for the year after taxation		(110,848)	792,665
Other comprehensive income for the year			
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)		-	(360)
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	(4,669,119)	(879,766)
Net deferred tax impact recognised in other comprehensive income	37	37,932	-
Net movement in fair value of financial asset at fair value through profit or loss under overlay adjustment	17	(609,559)	377,429
Exchange differences arising on translation of results of foreign operations		4,532	7,872
Unrealised gain related to amortisation of deferred acquisition costs and value of business acquired	23, 24	1,940,533	526,138
Unrealised loss related to amortisation of unearned revenue liability			
- Insurance contract provisions	31(iii)	(1,580,597)	(234,060)
- Investment contract liabilities	32(iii)	(109,668)	(32,932)
		(4,985,946)	(235,679)
Total comprehensive income for the year		(5,096,794)	556,986
Total comprehensive income attributable to:			
Equity shareholders of the Company		(3,740,938)	351,179
Non-controlling interests		(1,355,856)	205,807
		(5,096,794)	556,986

The notes form part of these financial statements.

Consolidated statement of financial position at 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
Assets			
Property and equipment	18	674,271	711,787
Statutory deposits	19	5,142	4,579
Deferred tax assets	37(b)	42,245	44
Tax recoverable	37(a)	3,262	-
Investments in associates	20	132,012	148,819
Goodwill and other intangible assets	22	1,909,213	1,910,204
Value of business acquired	23	10,418,400	9,325,913
Deferred acquisition costs	24	5,428,263	3,505,773
Investments	25	68,079,238	67,896,304
Advance reinsurance premiums	26	1,373,910	1,277,899
Reinsurers' share of outstanding claims	33	94,267	87,347
Insurance and reinsurance receivables	27	8,879,479	6,776,768
Other accounts receivable and accrued income	28	119,799	79,531
Other receivables, deposits and prepayments	29	1,028,699	884,618
Bank balances - trust and segregated accounts	30	509,499	779,732
Fixed bank deposits with original maturity over 3 months	30	1,624,973	1,060,574
Cash and cash equivalents	30	2,547,901	4,024,475
		102,870,573	98,474,367
Liabilities			
Insurance contract provisions	31	72,041,574	63,121,305
Investment contract liabilities	32	4,853,548	4,714,346
Outstanding claims	33	229,402	229,848
Reinsurance premium payables	34	509,182	488,430
Other accounts payable	35	609,464	844,088
Other payables and accrued expenses	36	5,184,901	4,318,281
Tax payable	37(a)	5,640	11,632
Financial liabilities at fair value through profit or loss	38	237,364	376,263
Lease liabilities	39	233,066	279,608
Deferred tax liabilities	37(b)	1,138,128	1,176,858
Bank borrowings	40	1,393,166	1,381,776
Shareholder's loan	41	1,641,077	1,641,077
		88,076,512	78,583,512
NET ASSETS		14,794,061	19,890,855

Consolidated statement of financial position at 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
CAPITAL AND RESERVES			
Share capital	42(e)	11,872,683	11,872,683
Reserves		(1,889,764)	1,851,174
		9,982,919	13,723,857
Non-controlling interests		4,811,142	6,166,998
TOTAL EQUITY		14,794,061	19,890,855

The notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	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	*Exchange reserve* HK$'000	*Statutory and capital reserve* HK$'000	*Retained earnings/ (Accumulated loss)* HK$'000	*Sub-total* HK$'000	*Non-controlling interests* HK$'000	*Total* HK$'000
Balance at 31 December 2020 and 1 January 2021	11,872,683	(83,230)	9,473	1,538	1,105,820	360	(8,573)	67,075	415,430	13,380,576	5,961,191	19,341,767
Changes in equity for the year ended 31 December 2021												
Equity settled share-based transactions	-	-	(7,898)	-	-	-	-	-	-	(7,898)	-	(7,898)
Profit for the year	-	-	-	-	-	-	-	-	513,414	513,414	279,251	792,665
Other comprehensive income for the year	-	-	-	-	(169,747)	(360)	7,872	-	-	(162,235)	(73,444)	(235,679)
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	959	(959)	-	-	-
Balance at 31 December 2021	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

Consolidated statement of changes in equity for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	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	*Exchange reserve* HK$'000	*Statutory and capital reserve* HK$'000	*Retained earnings/ (Accumulated loss)* HK$'000	*Sub-total* HK$'000	*Non-controlling interests* HK$'000	*Total* HK$'000
Balance at 31 December 2021 and 1 January 2022	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
Changes in equity for the year ended 31 December 2022												
Loss for the year	-	-	-	-	-	-	-	-	(256,400)	(256,400)	145,552	(110,848)
Other comprehensive income for the year	-	-	-	-	(3,483,354)	-	(1,184)	-	-	(3,484,538)	(1,501,408)	(4,985,946)
Appropriation from statutory and capital reserve	-	-	-	-	-	-	-	(373)	373	-	-	-
Balance at 31 December 2022	11,872,683	(83,230)	1,575	1,538	(2,547,281)	-	(1,885)	67,661	671,858	9,982,919	4,811,142	14,794,061

The notes form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
(Loss)/profit before taxation		(103,385)	799,766
Adjustments for:			
Net loss/(gain) on financial assets and financial liabilities at fair value through profit or loss		1,814,325	(152,901)
Net loss/(gain) on disposal of financial assets at fair value through other comprehensive income		121,709	(45,861)
Net loss on disposal of financial assets measured at amortised cost		11,658	18,130
Dividend and distribution income from financial assets at fair value through profit or loss		(349,137)	(416,674)
Impairment loss of debt instrument measured at amortised cost and fair value through other comprehensive income		356,392	31,420
Impairment loss of securities measured at fair value through profit or loss under overlay approach		186,696	-
Impairment reversal and disposal gain of interests in associates		(750)	(50,521)
Depreciation and amortisation		208,674	195,964
Finance costs		162,484	149,120
Interest income		(39,243)	(12,404)
Equity-settled share-based payment expenses		-	(7,898)
Effect of shadow accounting on change in value of business acquired, deferred acquisition costs and unearned revenue liability		250,268	259,146
Share of results of associates		7,954	(740)
Interest credited to policyholders' deposits		638,521	1,832,747
Effective interest income of investments		(39,945)	(66,928)
Other movements in investment and others		3,652	(3)
		3,229,873	2,532,363

Consolidated cash flow statement for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
Changes in working capital:			
(Increase)/decrease in other accounts receivable		(40,268)	78,198
Decrease in other receivables, deposits and prepayments		89,283	42,769
Decrease/(increase) in bank balances – trust and segregated accounts		270,233	(31,891)
Decrease in other accounts payable		(234,624)	(18,853)
Increase in accrued expenses and other payables		831,258	1,628,870
Increase in value of business acquired		(1,078,534)	(313,342)
Increase in deferred acquisition costs		(1,915,221)	(1,574,576)
Increase in unearned revenue liabilities		2,266,066	842,884
(Increase)/decrease in advance reinsurance premiums		(94,171)	11,688
Increase in reinsurer's share of outstanding claims		(6,794)	(31,904)
Increase in insurance and reinsurance receivables		(2,089,708)	(3,020,227)
Decrease in policyholders' deposits		(2,032,378)	(1,966,334)
Increase in future policyholders' benefits		5,857,596	5,441,211
(Decrease)/increase in outstanding claims		(753)	45,688
Increase in reinsurance premium payables		20,069	166,441
Change in financial liabilities at fair value through profit or loss		(51,257)	(73,975)
Others		(559)	(813)
Cash generated from operations		5,020,111	3,758,197

Consolidated cash flow statement
for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
Operating activities			
Cash generated from operations		5,020,111	3,758,197
Interest received		9,372	1,006
Interest paid		(10,737)	(21,993)
Tax paid:			
Hong Kong profit tax paid		(61,031)	(50,802)
Overseas tax recovered/(paid)		367	(1,913)
Net cash generated from operating activities		4,958,082	3,684,495
Investing activities			
Payment for purchase of property and equipment		(86,522)	(162,658)
Proceeds from disposal of property and equipment		384	-
Payment for purchase of intangible assets		-	(1,724)
Proceeds from dividend and distribution income from financial assets at fair value through profit or loss		108,959	222,463
Payment for purchase of financial assets at fair value through other comprehensive income		(2,525,578)	(7,749,267)
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,336,115	5,384,180
Proceeds from disposal of financial assets at fair value through profit or loss		3,745,899	3,086,351
Payment for purchase of and contribution made to financial assets at fair value through profit or loss		(5,787,812)	(3,053,367)
Increase in fixed bank deposits placed with original maturity over 3 months		(562,862)	(823,841)
Purchase of amortised cost investments		(5,794,460)	(4,140,158)
Proceeds from sales, maturities and repayments of amortised cost investments		1,162,452	1,438,977
Payment for issuance of policy loans		(2,620)	(2,625)
Proceeds from maturities and repayments of policy loans		1,837	1,837
Proceeds from disposal of interests in associates		-	14,447
Payment for the acquisition of interest in an associate		-	(105,463)
Interest received		23,522	25,111
Net cash used in investing activities		(8,380,686)	(5,865,737)

Consolidated cash flow statement for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	*2022* HK$'000	*2021* HK$'000
Financing activities			
Payment made for interest component of lease liabilities		(7,250)	(2,039)
Payment made for capital component of lease liabilities		(137,106)	(146,459)
Payment made for redemption of preference shares by a subsidiary		(87,917)	(197,108)
Drawdown of bank borrowings		-	1,400,000
Repayment of bank borrowings		-	(1,555,038)
Interest paid		(49,413)	(58,083)
Policyholders' account deposits for insurance and investment contracts		4,131,922	4,770,747
Policyholders' account withdrawals for insurance and investment contracts		(1,905,299)	(2,066,236)
Net cash generated from financing activities		1,944,937	2,145,784
Net decrease in cash and cash equivalents		(1,477,667)	(35,458)
Cash and cash equivalents at 1 January		4,024,475	4,056,734
Effect of foreign exchange rate changes		1,093	3,199
Cash and cash equivalents at 31 December		2,547,901	4,024,475

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, China Evergrande 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 Significant 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 accounting principles generally accepted in Hong Kong 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. Significant 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 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 as explained in the accounting policies set out below.

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 4.

(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.

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(t)(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.

(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(t)(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*.

(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(t)(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.

(g) Classification of insurance and investment contracts

Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder if a specified uncertain future event ("the insured event") adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Contracts with a discretionary participation feature ("DPF")

Certain insurance contracts issued by the Group contain a DPF. A DPF is a contractual right held by a policyholder to receive, as a supplement to guaranteed minimum benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the Group's discretion and is contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract;

(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; and

(iii) the profit or loss of the Group.

(h) Insurance contracts

(i) Recognition and measurement

Revenue

Premiums in respect of insurance contracts are recognised as revenue when due. Fee income is recognised as revenue when services are rendered. Premiums and fee income exclude any taxes or duties.

Reinsurance commission refers to the amount paid by reinsurers to reimburse the expenses associated with issuing a policy. It is recognised as revenue when due. Profit commission is the reward paid by reinsurers for favourable experience.

Claims

Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when notified. Death claims are recognised when notified.

Outstanding claims includes estimates of both claims that have been reported but not paid and those that have been incurred but not reported, also includes estimates of all future expenses associated with processing and settlement of these claims.

The estimation process is primarily based on the assumption that experience is an appropriate indication of future events, and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The amount recorded represents the best estimate based upon currently known facts and actuarial guidelines.

Policyholders' deposits

Policyholders' deposits include deposit components of insurance contracts, liabilities for universal and variable life products, annuities and investment related policies and contracts. These liabilities are established by contract deposits, increased by interest credited and decreased by interest debited, contract fees and contract withdrawals. Interest credited represents the interest accrued to universal life contracts account balance based on the credited rate declared by the Group from time to time. For linked contracts, it represents the earnings credited to the account balance based on the performance of selected investment choices. Interest credited is recognised as expense when paid in payable.

Future policyholders' benefits

Liability for future policyholders' benefits of insurance contracts for traditional life contracts and additional coverages offered under policy riders are calculated using the net level premium method and assumptions as to investment yields, mortality, withdrawals and dividends. The assumptions are based on best estimate projections of past experience from the commencement of each contract and include provisions for possible adverse deviations. The assumptions are made at the time the contract is issued and do not change, unless a loss needs to be recognised.

The reserves for participating whole life products are calculated using the net level premium method based upon prescribed estimates as to investment yield, mortality, withdrawals. Dividends are also included. Reserves for accident and disability contracts are based upon mortality, morbidity and withdrawal assumptions which are based on the Group's own experience and certain reinsurance tables. Unpaid disability claim liabilities are established based on disability payments earned from the last payment date to the valuation date.

Unearned revenue liability ("URL")

Amounts 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 recognised in the income statements over the period benefited, using the same assumptions and factors utilised to amortise deferred acquisition costs.

Shadow accounting is applied so that the URL balance is also adjusted by an amount that represents the change in amortisation of URL that would have been required as a charge or credit to profit and loss had unrealised amounts recorded in fair value reserve been realised. These adjustments are charged or credited to the fair value reserve.

The accounting treatment for URL arising from insurance contracts is also applied to investment contracts.

(ii) Embedded derivatives in insurance contracts

Features contained within insurance contracts that would be considered derivatives if they were stand alone instruments which have not been separated and measured at fair value if those embedded derivatives are closely related to the host insurance contract.

The Group has taken advantage of the exemption available in HKFRS 4 *Insurance Contract* not to separate and measure at fair value policyholder options to surrender insurance contracts for a fixed amount even if the exercise price differs from the carrying amount of the host insurance liability.

(iii) Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts.

(iv) Deferred acquisition costs ("DAC")

The Group's DAC is an intangible asset comprised of incremental direct costs of contract acquisition and the portion of employee total compensation and payroll-related fringe benefits directly related to time spent performing the following acquisition activities: (a) underwriting; (b) policy issuance and processing; (c) medical and inspection; (d) sales force contract selling; and (e) other direct costs that would not have been incurred if the contract had not been acquired.

Incremental direct costs of acquisition include commissions or volume-related sales bonuses and medical and inspection fees for a successful contract acquisition. The portion of employee compensation and related benefits include only those costs directly related to time spent performing those activities for actual acquired contracts. Related benefits include medical insurance, group life insurance and retirement plans.

The Group also defers the commissions and volume-related expense allowances for successful contract acquisitions in transactions with our career agents. All other acquisition-related costs such as soliciting potential customers, market research, training, administration, unsuccessful acquisition or renewal efforts and product development is charged to expense as incurred. Administration costs, rent, depreciation, occupancy, equipment, and all other general overhead costs are also charged to expense as incurred.

DAC for universal life and investment-type products are amortised with interest spread over the expected life of the contract in proportion to the estimated gross profits from investment, mortality, expense margins and surrender charges. Amortisation interest rates are based upon rates in effect at the inception of the contracts. The amortisation rate is periodically updated to reflect current period experience or changes in assumptions that affect future profitability, such as investment returns, asset growth rates, lapse rates, expenses, surrender charges and mortality experience. These changes result in adjustments to the DAC balances in the period that the Group changes its assumptions, as well as changes in prospective DAC amortisation.

DAC for traditional life and non-medical health products are amortised in proportion to anticipated premiums. Assumptions as to anticipated premiums are made at the date of issuance and are applied during the lives of the contracts consistently. Deviations from estimated experience are included in profit or loss when they occur.

Shadow accounting is applied so that the DAC balance is also adjusted by an amount that represents the change in amortisation of DAC that would have been required as a charge or credit to profit or loss had unrealised amounts recorded in fair value reserve been realised. These adjustments are charged or credited to the fair value reserve.

The accounting treatment for DAC arising from insurance contracts is also applied to investment contracts.

(v) Value of business acquired ("VOBA")

VOBA, in respect of a portfolio of long-term insurance and investment contracts, is an intangible asset that reflects the estimated fair value of in-force contracts in a life insurance company acquisition and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date of a subsidiary. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. If this results from the acquisition of an investment in a joint venture or an associate, the VOBA is held within the carrying amount of that investment. The VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Shadow accounting is applied so that the VOBA balance is also adjusted by an amount that represents the change in amortisation of VOBA that would have been required as a charge or credit to profit or loss had unrealised amounts recorded in fair value reserve been realised. These adjustments are charged or credited to the fair value reserve.

The accounting treatment for VOBA arising from insurance contracts is also applied to investment contracts.

(vi) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to determine if the insurance contract provisions, less deferred acquisition costs and VOBA, are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests. If a shortfall is identified the related deferred acquisition costs and VOBA are written down and, if necessary, an additional provision is established. The deficiency is recognised in the consolidated income statement for the year.

(i) Investment contracts

Investment contracts are recognised as financial liabilities in the statement of financial position when the Group becomes a party to their contractual provisions. Contributions received from policyholders are not recognised in the consolidated income statement but are accounted for as deposits in the consolidated statement of financial position.

All investment contracts issued by the Group are designated by the Group on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Changes in the fair value of investment contracts are included in the consolidated income statement in the period in which they arise.

(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 ("FVPL") 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 5. 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, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(x)(iii)).

- fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest 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.

- FVPL 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 FVPL 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 FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(x)(ii).

Overlay approach

The Group has applied the overlay approach under HKFRS 4, to reclassify between profit or loss and other comprehensive income the difference between amounts recognised in profit or loss under HKFRS 9 and those would have been reported under HKAS 39, for designated financial assets including hybrid debt instruments (recognised on bifurcated basis), unit trust and partnership investments on an instrument-by-instrument basis. A financial asset is eligible for designation if 1) it is not held for an activity that is unconnected with contracts in the scope of HKFRS 4; and 2) it is measured at fair value through profit or loss under HKFRS 9 but would have not been under HKAS 39. The overlay impact is shown in the consolidated income statement.

(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) Accounts payable and other payables

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

(m) 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.

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

Financial liabilities are classified as at FVPL 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 FVPL.

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 FVPL 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 FVPL.

Financial liabilities at FVPL 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 5.

(o) Property and equipment

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

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

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 consolidated income statement on the date of retirement or disposal.

(p) Leased assets

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of leased assets, using the straight line method over their estimated useful lives as follows:

- Properties leased for own use	Shorter of lease term and useful lives
- Office equipment and furniture	Shorter of lease term and 5 years
- Computer equipment	Shorter of lease term and 3 to 5 years

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.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(q) Insurance and reinsurance receivables and other receivables

Insurance and reinsurance receivables and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses.

(r) Reinsurance premium and other payables

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

(s) 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(t)(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.

(t) 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 FVPL.

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

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.

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.

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(x)(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.

(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).

- 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(t)(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.

(u) 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 cash flow statement.

(v) 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).

(w) 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.

(x) 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.

(iv) Brokerage and commission income is recognised on trade date basis.

(v) 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.

(y) 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.

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 dates 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 income statement when the profit or loss on disposal is recognised.

(z) 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.

(aa) 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.

(ab) 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(a) Actuarial assumptions on future policyholders' benefits, VOBA and DAC

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.

(i) 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.

Basically, the Group's valuation of non-annually renewable premium traditional products is based on the following mortality tables (except for some minor blocks of policies):

- 70%/75% of Hong Kong Assured Lives Mortality Table 1993 with old age adjustment;

- A1967-70 Assured Lives Mortality Table (Ultimate).

Both of the above tables are subject to a four year age setback adjustment for females.

(ii) 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.

(iii) Withdrawal

Withdrawal rates are determined with reference to pricing assumptions and actual experience.

(iv) Discount rates

Discount rates are determined from a prudent assessment of the yields on existing financial assets and the yields obtained on sums to be invested in the future.

The Group's valuation of non-annually renewable premium traditional products is based on the discount rate of 1.5% to 5%.

(v) Renewal expenses and inflation

The level of renewal expenses is based on pricing assumptions. It is compared with the Group's internal expense study result on a regular basis to ensure its appropriateness.

The inflation rate assumption is 2%. It is compared with the Hong Kong Consumer Price Indices on a regular basis to ensure its appropriateness.

(vi) Change in assumptions and sensitivity to changes in variables

Sensitivity tests are conducted using varying mortality, morbidity and discount rate assumptions to measure the impact of deviations from anticipated experience.

The Group performs this sensitivity analysis for non-annually renewable premium traditional products to estimate the sensitivity of reserve to a particular movement in an assumption with all other assumptions remaining unchanged. Since the changes in the assumptions of withdrawal, renewal expenses and inflation only have minimal impact on the future policyholders' benefits, they are not considered in this sensitivity analysis. The following table demonstrates the resulting impacts:

Variables	*Change in variables*	*2022 Change in profit after tax and equity* HK$'000	*2021 Change in profit after tax and equity* HK$'000
Discount rate	+1%	925,759	794,584
	-1%	(1,085,357)	(928,910)
Mortality/morbidity	+10%	(107,544)	(95,370)
	-10%	110,829	98,254

Universal life, variable universal life, deferred annuities and annually renewable premium traditional products whose future policyholders' benefits are independent of mortality, morbidity, discount rates, withdrawal, renewal expenses and inflation are excluded from this analysis.

The fair values of investments are sensitive to interest rate changes. As the Group's main products are universal life products, interest rates may have an impact on the products' guaranteed minimum payouts and on interest credited to account holders. As interest rates decrease, investment spreads may contract as interest rates approach minimum guarantees, potentially resulting in an increased liability of the Group. As long as the total interest credited is higher than the guaranteed minimum amount, the Group has discretion on the crediting rate. The Group's exposure to interest rate risk associated with these types of products is therefore minimal. The Group may be exposed to interest rate risks in connection with traditional insurance products, which is considered inconsequential in view of the Group's product portfolio. As such, no sensitivity analysis for the underlying interest rate risk is performed.

(vii) Amortisation of VOBA and DAC

The Group selects appropriate methodology and assumptions for the amortisation of VOBA and DAC in accordance with the Group's significant accounting policies. The assumptions used in the estimation of the future gross premiums and profit are aligned to those assumptions used for the future policyholders benefit in majority of instances.

(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 Solely Payment of Principal and Interest ("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 FVPL, 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 significant accounting policies. Note 5 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

(d) Expected credit loss estimation

The Group selects appropriate methodology and assumptions in accordance with the Group's significant 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.

5 Insurance and financial risk management

(a) 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.

(i) 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.

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$'000	*Sum insured before reinsurance* HK$'000	%	*Sum insured after reinsurance* HK$'000	%
2022				
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	201,538,464	100	86,908,430	100

HK$'000	*Sum insured before reinsurance* HK$'000	%	*Sum insured after reinsurance* HK$'000	%
2021				
0-500	26,485,211	13	36,194,691	42
501-750	20,124,095	10	28,014,314	32
751-1,000	26,664,679	14	22,142,229	26
1,001-1,500	31,555,889	16	72,614	0
1,501-2,000	23,803,188	12	189,458	0
2,001-2,500	14,460,805	7	56,876	0
>2,500	55,533,391	28	213,201	0
Total	198,627,258	100	86,883,383	100

(ii) 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.

(1) 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;
- insurance and reinsurance receivables;
- 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.

At 31 December 2022, none of the Group's debt securities (2021: Nil) represented investments in asset-backed and mortgage-backed securities in the United States of America and PRC 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 2022, 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 2022, 96.9% (2021: 95.2%) 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 2022, 89.7% (2021: 81.1%) 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 2022, impairment losses were recognised in the consolidated income statement. Further details of the impairment losses are set out in note 7(a).

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 5(a)(i).

In respect of loans to policyholders, direct premium receivables 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 insurance and reinsurance receivables, other account receivables and other receivables are set out in notes 27, 28 and 29.

(2) 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.

(i) 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:

	2022				*2021*			
	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
Reinsurance premium payables	509,182	509,182	509,182	-	488,430	488,430	488,430	-
Other accounts payables	609,464	609,464	609,464	-	844,088	844,088	844,088	-
Other payables and accrued expenses	5,184,901	5,184,901	5,014,759	170,142	4,318,281	4,318,281	4,231,834	86,447
Financial liabilities at fair value through profit or loss	237,364	237,364	1,002	236,362	376,263	376,263	-	376,263
Lease liabilities	233,066	241,103	112,540	128,563	279,608	290,472	133,596	156,876
Bank borrowings	1,393,166	1,474,408	33,998	1,440,410	1,381,776	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
	9,808,220	10,064,889	8,089,412	1,975,477	9,329,523	9,600,409	5,731,946	3,868,463

(ii) Liabilities under insurance and 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.

	2022			*2021*		
	Total	*1 year or less*	*More than 1 year*	*Total*	*1 year or less*	*More than 1 year*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract provisions	72,041,574	4,105,821	67,935,753	63,121,305	3,788,120	59,333,185
Investment contract liabilities	4,853,548	246,455	4,607,093	4,714,346	233,051	4,481,295
Outstanding claims	229,402	229,402	-	229,848	229,848	-
	77,124,524	4,581,678	72,542,846	68,065,499	4,251,019	63,814,480

(3) 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.

(i) Interest rate profile

The following table details interest-bearing financial assets and financial liabilities at the end of the reporting period.

	2022 HK$'000	*2021* HK$'000
Financial assets		
Statutory deposits	5,142	4,579
Debt securities and mortgage loans	56,031,811	55,582,724
Loans to agents and staff	57,486	18,219
Cash and cash equivalents and deposits with banks maturing more than three months	4,172,874	5,085,049
Financial liabilities		
Bank borrowings	1,393,166	1,381,776
Shareholder's loan	1,641,077	1,641,077

(ii) 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.

Financial assets and liabilities

At 31 December 2022, it is estimated that a general increase/decrease of one percentage point in interest rates would increase/decrease the Group's profit after tax by approximately HK$26,740,000 (2021: HK$29,925,000) and decrease/increase the equity by approximately HK$1,555,491,000 (2021: HK$2,136,792,000) respectively so far as the effect on interest-bearing financial assets is concerned.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

(4) 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.

(i) 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.

	2022								
	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
Financial assets									
Investments	55,889,023	-	-	-	-	-	-	-	-
Insurance and reinsurance receivables	3,648,241	-	108	-	2	-	9	-	-
Advance reinsurance premiums	547,764	-	-	-	-	-	11,498	-	2
Other account receivables	14,651	-	-	-	-	-	-	-	-
Other receivables	733,221	-	1,456	60	12	154	2,212	(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	95,382	-	-	-	-	-	-	-	-
	62,708,346	3,546	28,031	1,132	2,013	7,032	49,637	2,050	89
Financial liabilities									
Reinsurance premium payables	405,323	-	2,887	-	-	-	(362)	-	-
Derivative financial instruments	116,505	-	-	-	-	-	-	-	-
Other accounts payables	193,296	13	-	58	19	-	5,445	1,753	21
Other payables	3,112,225	144	12,216	148	-	-	45,002	-	-
Investment contract liabilities	2,666,208	-	-	-	-	-	-	-	-
Outstanding claims	109,705	-	2,496	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	4,430	-	-
	6,603,262	157	17,599	206	19	-	54,515	1,753	21
Notional amount of currency-related derivative contracts	(26,887,007)	-	-	-	-	(45,973)	-	-	-

	2021								
	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
Financial assets									
Investments	55,387,076	-	-	-	-	-	-	-	-
Insurance and reinsurance receivables	1,664,190	-	4,060	-	-	-	-	-	-
Advance reinsurance premiums	543,000	-	-	-	-	-	3,410	-	-
Other account receivables	19,184	-	-	-	103	-	62	-	2
Other receivables	614,578	-	-	-	-	-	33,405	-	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	2,365,177	1,091	83,607	525	4,009	1,925	64,115	286	29
Derivative financial instruments	37,059	-	-	-	-	-	-	-	-
	60,630,264	1,091	87,667	525	4,112	1,925	100,992	286	31
Financial liabilities									
Reinsurance premium payables	285,722	-	-	-	-	-	1,981	-	-
Derivative financial instruments	137,975	-	-	-	-	-	-	-	-
Other accounts payables	302,646	14	-	65	20	-	23,331	-	14
Other payables	1,149,262	-	534	(554)	8	(21)	16,767	-	-
Investment contract liabilities	2,051,050	-	96,599	-	-	-	-	-	-
Outstanding claims	109,512	-	3,628	-	-	-	-	-	-
Lease liabilities	-	-	751	-	-	-	-	-	-
	4,036,167	14	101,512	(489)	28	(21)	42,079	-	14
Notional amount of currency-related derivative contracts	8,382,520	-	-	-	-	(40,006)	-	-	-

(5) Equity price risk

The Group is exposed to equity price changes arising from equity investments and derivative instruments classified as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss held by the Group. Gains and losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss are dealt with in consolidated income statement.

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 2022, the unit trusts backing non-linked insurance contracts were classified as fair value through profit or loss under overlay approach at their fair value of HK$1,181,697,000 (2021: HK$1,367,731,000).

At 31 December 2022, it is estimated that an increase/decrease of 10% (2021: 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$118,169,000 (2021: HK$136,773,000).

For the other investments under fair value hierarchy level 2 and 3 that is either backing linked insurance contract and those that are not related to insurance contracts, their price risk impact on the Group's profit or total equity is further analysed under fair value measurement.

(6) Fair value measurement

(1) 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.

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 2022 categorised into			*Fair value measurements as at 31 December 2021 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
Recurring fair value measurement						
(Liabilities)/assets						
Financial assets at fair value through profit or loss:						
- Private credit and other trust product type funds	-	-	380,149	-	-	504,082
- Listed equity	484,675	-	-	371,498	-	-
- Unlisted equity	-	-	166,542	-	393,034	25,949
- Leveraged and structured note investment	26,355	2,053,539	309,301	41,800	2,593,532	80,615
- Unit trust	2,477,149	5,684,973	489,009	943,657	6,917,702	790,521
- Interest in a joint venture	-	-	110,923	-	-	132,896
- Insurance contract related partnership investment	-	-	2,253,698	-	-	2,233,950
- Mutual fund	-	309	-	-	291	-
Financial asset at fair value through other comprehensive income						
- Debt securities	2,384,660	12,406,014	3,513,189	3,302,016	14,763,574	4,109,669
- Perpetual capital measured at fair value	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss						
- Preference share liability	-	-	(105,175)	-	-	(192,648)
- Third-party interests in consolidated funds	-	-	(131,187)	-	-	(183,615)
- Short position in listed equity	(1,002)	-	-	-	-	-
- Investment contract liabilities	-	(4,853,548)	-	-	(4,714,346)	-

During the year, 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, FVPL debt instruments and FVPL 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$5,497,000. There were transfers of FVPL unit trusts from level 3 to level 1 of HK$206,210,000 (2021: FVOCI debt instrument from level 1 to level 2 of HK$85,887,000. There were transfers of FVOCI and FVPL debt instrument from level 2 to level 3 of HK$98,498,000 and HK$63,442,000 respectively). 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.

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.

Unit trusts and equity 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.

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range*		
			Min	*Max*	*Weighted average*
Financial assets:					
Financial asset at fair value through profit or loss under overlay adjustment:					
- Partnership investment	Net asset value	Net asset value	NA	NA	NA
- Unit trusts	Net asset value	Net asset value	NA	NA	NA
Financial asset at fair value through other comprehensive income:					
- Corporate securities	Matrix pricing and DCF	Credit spread	100BPS (2021: 78BPS)	1,171BPS (2021: 903BPS)	187BPS (2021: 155BPS)

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:

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 2022, 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$15,994,000 (2021: HK$5,953,000) and other comprehensive income by HK$209,371,000 (2021: HK$216,964,000).

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 2022, for the fair value sensitivity analysis of limited liability partnerships 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 other comprehensive income by $48,901,000 (2021: $79,052,000).

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 2022, 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$167,349,000 (2021: HK$248,968,000).

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

Unlisted fair value through profit or loss investment	Valuation technique	Significant unobservable inputs
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:

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.

Change in the relevant equity price risk variable:	*2022*		*2021*	
		Effect on profit after tax and retained profit		*Effect on profit after tax and retained profit*
	%	HK$'000	%	HK$'000
Trust type fund products				
Increase	NA	NA	5	12
Decrease	NA	NA	(5)	(12)
Unlisted equity				
Increase	3	1,448	3	756
Decrease	(3)	(1,422)	(3)	(711)
Joint controlled entity				
Increase	10	11,092	10	13,290
Decrease	(10)	(11,092)	(10)	(13,290)
Private credit funds				
Increase	10	38,015	10	50,384
Decrease	(10)	(38,015)	(10)	(50,384)
Preference share liability				
Increase	10	-	10	-
Decrease	(10)	-	(10)	-
Third party interest in consolidated fund				
Increase	10	(13,042)	10	(17,286)
Decrease	(10)	13,042	(10)	17,286

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

	2022 HK$'000	*2021* HK$'000
At 1 January	662,927	742,897
Capital purchase/injection	-	7,797
Settlement on disposal and redemption of products	(233)	(206,178)
Fair value change of investments	(36,029)	88,888
Distributions	(113,205)	-
Transfer into level 3	378,578	25,949
Exchange alignment	310	3,574
At 31 December	892,348	662,927

Financial assets at fair value through other comprehensive income (debt securities)

	2022 HK$'000	*2021* HK$'000
At 1 January	4,109,669	4,512,536
Purchase	117,000	180,387
Settlements	(220,331)	(412,035)
Net realised loss to profit or loss	(70,789)	(56,401)
Net unrealised loss to other comprehensive income	(515,500)	(213,316)
Transfer into level 3	93,932	98,498
Transfer out of level 3	(5,497)	-
Exchange alignment	4,705	-
At 31 December	3,513,189	4,109,669

Financial assets at fair value through profit or loss under overlay adjustments

	2022 HK$'000	*2021* HK$'000
At 1 January	3,105,086	2,114,565
Cost of investment purchased	300,958	743,493
Distributions	-	(264,448)
Disposal	(188,727)	(1,770)
Net realised (loss)/gain to profit or loss	(309,011)	3,205
Net unrealised gain to profit or loss	12,643	-
Net unrealised gain to other comprehensive income	98,824	446,599
Transfer into level 3	-	63,442
Transfer out of level 3	(206,210)	-
Exchange alignment	3,711	-
At 31 December	2,817,274	3,105,086

Financial liabilities at fair value through profit or loss

	2022 HK$'000	*2021* HK$'000
At 1 January	376,263	618,561
Shares redeemed	(87,917)	-
Distribution to third party investor	(51,256)	(271,084)
Fair value change	(728)	28,786
At 31 December	236,362	376,263

(2) 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 2021 and 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2022		*Fair value measurements as at 31 December 2022 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	29,636,150	25,549,475	1,157,750	22,282,967	2,108,758
Loans and receivables	5,702,603	5,300,669	-	-	5,300,669

	2021		*Fair value measurements as at 31 December 2021 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	24,696,256	27,940,645	1,549,874	23,610,862	2,779,909
Loans and receivables	5,995,262	6,326,249	-	-	6,326,249

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.

(7) 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:

	2022					
	Gross HK$'000	*Gross amounts offset* HK$'000	*Net amount* HK$'000	*Due and accrued* HK$'000	*Collateral posted* HK$'000	*Net amount* HK$'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	105,066	(9,684)	95,382	3,937	(70,075)	29,244
Derivative liabilities	56,115	(9,684)	46,431	246	(55,376)	(8,699)

	2021					
	Gross HK$'000	*Gross amounts offset* HK$'000	*Net amount* HK$'000	*Due and accrued* HK$'000	*Collateral posted* HK$'000	*Net amount* HK$'000
Other accounts receivable	46,218	(36,103)	10,115	-	-	10,115
Other accounts payable	210,389	(36,103)	174,286	-	-	174,286
Derivative assets	39,976	(2,917)	37,059	3,239	(37,986)	2,312
Derivative liabilities	102,906	(2,917)	99,989	234	(103,420)	(3,197)

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.

	2022 HK$'000	*2021* HK$'000
Net amount of financial assets after offsetting as stated above	13,076	10,115
Financial assets not in scope of offsetting disclosure	106,723	69,416
	119,799	79,531
Net amount of financial liabilities after offsetting as stated above	118,195	174,286
Financial liabilities not in scope of offsetting disclosure	491,268	669,802
	609,463	844,088

6 Premiums and fee income

Premiums and fee income represents gross premium income and fee income received in respect of life and annuity, linked long term, retirement scheme management categories I and III of long term business.

	2022 HK$'000	*2021* HK$'000
Premium and fee income from insurance contracts	9,394,691	8,435,108
Fee income from investment contracts	33,781	43,476
	9,428,472	8,478,584

7a Net investment (loss)/income

	2022 HK$'000	*2021* HK$'000
Interest income from unlisted debt securities and mortgage loans	2,424,828	2,214,524
Bank and other interest income	39,243	12,404
Net realised (loss)/gain on disposal of securities designated at fair value through profit or loss	(151,522)	686,445
Net unrealised loss on financial asset and financial liabilities designated at fair value through profit or loss	(1,718,808)	(452,365)
Net realised (loss)/gain on fair value through other comprehensive income debt securities	(121,709)	45,861
Net realised loss on debt securities measured at amortised cost	(11,658)	(18,130)
Impairment (loss)/reversal of assets measured at amortised cost	(61,077)	19,892
Impairment loss of fair value through other comprehensive income debt securities	(295,315)	(51,312)
Impairment loss of fair value through profit or loss financial assets under overlay approach	(186,696)	-
Reversal of impairment loss on investment in an associate	-	35,000
Gain on disposal of interest in associates	-	8,161
Dividend and distribution income	349,137	416,674
Net derivative gain/(loss)	56,005	(81,179)
Net unrealised (loss)/gain of fair value through profit or loss financial assets under overlay adjustment	(609,559)	377,429
	(287,131)	3,213,404

Total interest income from financial assets at fair value through other comprehensive income amounted to HK$835,750,000 (2021: HK$850,771,000) and from amortised cost financial assets amounted to HK$1,297,433,000 (2021: HK$1,341,739,000) for the year ended 31 December 2022.

7b Other income

	2022 HK$'000	*2021* HK$'000
Net gain on deemed partial disposal of associates	750	7,360
Trustee fee income	36,438	37,466
Income from modified coinsurance and coinsurance with fund withheld	2,252,364	2,298,869
Other income	100,018	100,190
	2,389,570	2,443,885

8 Net policyholders benefit

	2022 HK$'000	*2021* HK$'000
Net claims, policy benefits and surrenders (note a)	556,834	607,340
Interest credited to policyholders' deposits (note b)	638,521	1,832,747
Dividends to policyholders (note c)	111,134	66,039
	1,306,489	2,506,126

Notes

(a) Claims, policy benefits and surrenders

	2022			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Gross benefits incurred:				
- Benefits payable	1,080,202	3,300	34,683	1,118,185
- Change in outstanding claims	(3,195)	-	2,602	(593)
	1,077,007	3,300	37,285	1,117,592
Amount recoverable from reinsurers:				
- Benefits recoverable	(553,829)	-	(100)	(553,929)
- Change in outstanding claims	(6,650)	-	(179)	(6,829)
	(560,479)	-	(279)	(560,758)
Net amount	516,528	3,300	37,006	556,834

	2021			
	Life and annuity and linked long term	*Retirement scheme management category I*	*Retirement scheme management category III*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000
Gross benefits incurred:				
- Benefits payable	994,765	1,054	38,953	1,034,772
- Change in outstanding claims	48,691	-	(3,003)	45,688
	1,043,456	1,054	35,950	1,080,460
Amount recoverable from reinsurers:				
- Benefits recoverable	(437,841)	-	(3,375)	(441,216)
- Change in outstanding claims	(34,892)	-	2,988	(31,904)
	(472,733)	-	(387)	(473,120)
Net amount	570,723	1,054	35,563	607,340

Benefits payable comprise claims, policy benefits and surrenders.

(b) Interest credited to policyholders' deposits

	2022			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	522,038	(28,230)	-	493,808
Investment contracts	144,713	-	-	144,713
	666,751	(28,230)	-	638,521

	2021			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	1,655,628	(333)	-	1,655,295
Investment contracts	177,452	-	-	177,452
	1,833,080	(333)	-	1,832,747

(c) Dividends to policyholders

	2022			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	111,134	-	-	111,134

	2021			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	66,039	-	-	66,039

9 Commission and related expenses

	2022			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	1,590,573	6,445	6,718	1,603,736
Investment contracts	8,389	-	-	8,389
	1,598,962	6,445	6,718	1,612,125

	2021			
	Life and annuity and linked long term HK$'000	*Retirement scheme management category I* HK$'000	*Retirement scheme management category III* HK$'000	*Total* HK$'000
Insurance contracts	1,786,670	463	6,990	1,794,123
Investment contracts	19,348	-	-	19,348
	1,806,018	463	6,990	1,813,471

10 Change in future policyholder benefits

	2022 HK$'000	*2021* HK$'000
Increase in future policyholders' benefits - insurance contracts (note 31)	5,874,880	5,432,801
(Decrease)/increase in future policyholders' benefits - investment contracts (note 32)	(2,323)	8,410
	5,872,557	5,441,211

11 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2022 HK$'000	*2021* HK$'000
(a) Staff costs		
Equity-settled share-based payment expenses (reversal) (note 43)	-	(7,898)
Salaries, allowances and benefits in kind	467,644	494,688
Social welfare		
- Staff (note a)	31,023	36,885
- Agents	21,140	24,781
	519,807	548,456

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 (2021: 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 2022 and 31 December 2021 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$35,000 (2021: HK$33,000) were waived as part of staff benefit scheme.

(b) Other operating items

	2022 HK$'000	*2021* HK$'000
Auditors' remuneration	12,370	10,579
Legal and professional costs	10,878	27,548
Lease payments - property rentals	2,592	5,567
Amortisation of value of business acquired	114,241	163,450
Amortisation of deferred acquisition costs	743,821	608,912
Depreciation and amortisation on property and equipment and other intangible assets	208,674	195,964
Information, data and communication expenses	29,723	31,287
Net exchange loss/(gain)	47,753	(12,579)
Disposal loss for fixed assets	1,012	62
Entertainment and travelling	2,815	5,628

(c) Finance costs

	2022 HK$'000	*2021* HK$'000
Bank loan interest	60,803	41,394
Interest on lease liabilities	7,250	2,039
Interest on preference share liability	10,284	21,987
Other interest expense	453	6
Shareholder's loan interest	83,694	83,694
	162,484	149,120

12 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2022 HK$'000	*2021* HK$'000
Current tax		
Hong Kong		
Provision for the year	46,085	49,291
Under/(over)-provision in respect of prior years	216	(28)
Macao		
Provision for the year	5,640	-
Overseas		
Provision for the year	13	1,284
Under/(over)-provision in respect of prior years	35	(93)
	51,989	50,454
Deferred tax		
Origination and reversal of temporary differences	(44,526)	(43,353)
	7,463	7,101

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2021.

The provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021-22 subject to a maximum reduction of HK$10,000 for each business (2021: maximum reduction of HK$10,000 was granted for the year of assessment 2020-21 and was taken into account in calculating the provision for 2021).

The provision for Macao Complementary Tax is calculated at tax rate of 12.0% (2021: 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) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2022 HK$'000	*2021* HK$'000
(Loss)/profit before taxation	(103,385)	799,766
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(63,548)	85,637
Tax effect of deficit/(surplus) transferred from Hong Kong long term individual life business	55,472	(116,176)
Notional tax on net premiums written in respect of Hong Kong long term individual life business	49,116	49,458
Difference in tax in foreign jurisdiction	(13,271)	-
Tax effect of non-taxable income	(3,004)	(9,994)
Tax adjustment in respect of prior years	251	(121)
Tax effect of non-deductible expenses	60,117	18,568
Tax effect of prior year's tax losses utilised this year	(68,544)	(27,227)
Tax effect of tax losses not recognised	33,265	50,996
Tax effect of reversal of taxable temporary difference	(44,526)	(43,353)
Others	2,135	(687)
Tax expenses	7,463	7,101

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:

	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
Chairman							
Yu Feng	-	-	-	-	-	-	-
Executive directors							
Cheung David (note iii)	-	5,468	-	500	5,968	-	5,968
Hai Olivia Ou (note iv)	-	-	-	-	-	-	-
Huang Xin	-	-	-	-	-	-	-
Non-executive directors							
Hai Olivia Ou (note iv)	99	5	-	-	104	-	104
Adnan Omar Ahmed	-	-	-	-	-	-	-
Michael James O' Connor	-	-	-	-	-	-	-
Independent non-executive directors							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
Total	1,191	5,515	-	500	7,206	-	7,206

Notes:

i The discretionary bonus amount represents bonus accrued and approved for the year 2021.

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(v).

iii Resigned as executive director and chief executive officer effective on 28 September 2022.

iv Re-designated as a non-executive director effective on 3 August 2022.

	2021						
	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
Chairman							
Yu Feng	-	-	-	-	-	-	-
Executive directors							
Cheung David	-	10,496	9,000	348	19,844	-	19,844
Hai Olivia Ou	-	-	-	-	-	-	-
Huang Xin	-	-	-	-	-	-	-
Non-executive directors							
Adnan Omar Ahmed	-	-	-	-	-	-	-
Michael James O' Connor	-	-	-	-	-	-	-
Independent non-executive directors							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
Total	1,092	10,538	9,000	348	20,978	-	20,978

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 (2021: one) is a director whose emoluments is disclosed in note 13. The aggregate of the emoluments in respect of the four (2021: four) individuals are as follows:

	2022 HK$'000	*2021* HK$'000
Salaries, allowances and benefits in kind	29,352	17,733
Discretionary bonus	-	12,815
Contributions to Mandatory Provident Fund and retirement scheme contribution	620	1,501
	29,972	32,049

The emoluments of the five (2021: five) individuals with the highest emoluments are within the following bands:

	Number of individuals *2022*	*2021*
HK$5,000,001 to HK$5,500,000	1	1
HK$5,500,001 to HK$6,000,000	2	-
HK$6,000,001 to HK$6,500,000	1	1
HK$6,500,001 to HK$7,000,000	1	-
HK$10,000,001 to HK$10,500,000	-	1
HK$10,500,001 to HK$11,000,000	-	1
HK$19,500,001 to HK$20,000,000	-	1

15 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2022 of HK$256,400,000 (2021: profit attributable to equity shareholders of the Company of HK$513,414,000), and the weighted average number of shares in issue during the year ended 31 December 2022 of 3,852,570,006 (2021: 3,852,570,006).

Weighted average number of ordinary shares

	2022	*2021*
Issued ordinary shares at 1 January	3,867,991,673	3,867,991,673
Effect of shares held by share award scheme	(15,421,667)	(15,421,667)
Weighted average number of ordinary shares at 31 December	3,852,570,006	3,852,570,006

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2022 of HK$256,400,000 (2021: profit attributable to equity shareholders of the Company of HK$513,414,000), and the weighted average number of shares during the year ended 31 December 2022 of 3,852,570,006 (2021: 3,852,570,006).

Weighted average number of ordinary shares (diluted)

	2022	*2021*
Weighted average number of ordinary shares at 31 December	3,852,570,006	3,852,570,006
Weighted average number of ordinary shares *(diluted)* at 31 December	3,852,570,006	3,852,570,006

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.

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

(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.

(a) Segment revenue and results

For the year ended 31 December 2022

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Premiums and fee income	9,428,472	-	9,428,472
Premiums ceded to reinsurer	(2,721,432)	-	(2,721,432)
Net premium and fee income	6,707,040	-	6,707,040
Change in unearned revenue liability	(577,793)	-	(577,793)
Brokerage commission, interest and other service income	-	26,664	26,664
Subscription, management and rebate fee income	-	6,646	6,646
Consultancy and advisory income	-	-	-
Inter-segment income	1,484	3,716	5,200
Reportable segment revenue	6,130,731	37,026	6,167,757
Allocated net investment income, other operating income and gains	3,071,549	(278,371)	2,793,178
Share of results of associates	-	(7,954)	(7,954)
Allocated operating costs	(8,706,372)	(190,510)	(8,896,882)
Allocated finance cost	(6,613)	(11,373)	(17,986)
Reportable segment profit/(loss)	489,295	(451,182)	38,113
Elimination of inter-segment profit			3,000
Reportable segment profit derived from Group's external customers			41,113
Unallocated legal and professional fees, finance cost and other operating expenses			(144,498)
Taxation			(7,463)
Loss for the year			(110,848)
Depreciation and amortisation on property and equipment and other intangible assets	192,590	16,084	208,674
Bank interest income	27,040	11,884	38,924
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)	98,105,186	2,969,697	101,074,883
Additions to non-current segment assets during the year other than associates	176,075	5,986	182,061
Cash and cash equivalent 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)	(83,969,851)	(4,168,388)	(88,138,239)

For the year ended 31 December 2021

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Premiums and fee income	8,478,584	-	8,478,584
Premiums ceded to reinsurer	(2,749,249)	-	(2,749,249)
Net premium and fee income	5,729,335	-	5,729,335
Change in unearned revenue liability	(575,893)	-	(575,893)
Brokerage commission, interest and other service income	-	34,809	34,809
Subscription, management and rebate fee income	-	7,855	7,855
Consultancy and advisory income	-	-	-
Inter-segment income	1,753	12,977	14,730
Reportable segment revenue	5,155,195	55,641	5,210,836
Allocated net investment income, other operating income and gains	5,165,770	192,861	5,358,631
Share of result of associates	-	740	740
Allocated operating costs	(9,389,581)	(230,184)	(9,619,765)
Allocated finance cost	(1,018)	(23,057)	(24,075)
Reportable segment profit/(loss)	930,366	(3,999)	926,367
Elimination of inter-segment loss			(450)
Reportable segment profit derived from Group's external customers			925,917
Unallocated legal and professional fees, finance cost and other operating expenses			(126,151)
Taxation			(7,101)
Profit for the year			792,665
Depreciation and amortisation on property and equipment and other intangible assets	174,021	21,943	195,964
Bank interest income	9,689	2,475	12,164
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)	92,846,628	3,887,773	96,734,401
Additions to non-current segment assets during the year other than associates	272,860	37,810	310,670
Cash and cash equivalent and fixed bank deposits with original maturity over 3 months	3,797,417	1,287,632	5,085,049
Investment in associates	-	148,819	148,819
Reportable segment liabilities (including those identified deferred tax liabilities at acquisition of YF Life)	(74,173,755)	(4,476,015)	(78,649,770)

(b) Reconciliation of segment assets and liabilities

	2022 HK$'000	*2021* HK$'000
Assets		
Reportable segment assets	101,074,883	96,734,401
Elimination of inter-segment asset transfer	(5,500)	(8,500)
Elimination of inter-segment receivables	(66,617)	(77,140)
	101,002,766	96,648,761
Goodwill	1,825,562	1,825,562
Deferred tax assets	42,245	44
Consolidated total assets	102,870,573	98,474,367

	2022 HK$'000	*2021* HK$'000
Liabilities		
Reportable segment liabilities	88,138,239	78,649,770
Elimination of inter-segment payables	(67,367)	(77,890)
	88,070,872	78,571,880
Tax payable	5,640	11,632
Consolidated total liabilities	88,076,512	78,583,512

(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 2022.

17 Other comprehensive income

Reclassification adjustments relating to components of other comprehensive income

	Note	*2022* HK$'000	*2021* HK$'000
Debt securities classified as fair value through other comprehensive income:			
Changes in fair value recognised during the year		(5,021,205)	(879,201)
Reclassification adjustments for amounts transferred to profit or loss:			
Net losses/(gains) on disposal		121,709	(45,861)
Impairment losses		295,315	51,312
Others		(64,811)	(6,016)
Exchange alignment		(127)	-
Net movement in the fair value reserve during the year recognised in other comprehensive income		(4,669,119)	(879,766)

	Note	*2022* HK$'000	*2021* HK$'000
Financial asset at fair value through profit or loss under overlay approach:			
Changes in fair value recognised during the year		(402,705)	17,585
Net movement in the fair value reserve during the year recognised in other comprehensive income		(402,705)	17,585

	Note	*2022* HK$'000	*2021* HK$'000
Equity and other fund investment classified as fair value through profit or loss under overlay approach:			
Changes in fair value recognised during the year		(206,854)	359,844
Net movement in the fair value reserve during the year recognised in other comprehensive income		(206,854)	359,844
Net movement in the fair value reserve during the year under overlay approach recognised in other comprehensive income		(609,559)	377,429

18 Property and equipment

	Properties leased for own use HK$'000	*Leasehold improvements* HK$'000	*Office equipment and furniture* HK$'000	*Computers equipment* HK$'000	*Total* HK$'000
Cost					
At 1 January 2021	449,005	55,930	37,020	322,306	864,261
Additions	140,324	54,211	12,633	101,778	308,946
Write off and disposal	(85,425)	(25,122)	(8,929)	(16,719)	(136,195)
Exchange alignment	-	261	92	96	449
At 31 December 2021	503,904	85,280	40,816	407,461	1,037,461
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
At 31 December 2022	343,604	81,027	41,147	465,222	931,000

	Properties leased for own use HK$'000	*Leasehold improvements* HK$'000	*Office equipment and furniture* HK$'000	*Computers equipment* HK$'000	*Total* HK$'000
Accumulated depreciation and impairment					
At 1 January 2021	199,382	20,160	14,600	29,668	263,810
Charge for the year	138,757	19,835	7,077	29,677	195,346
Write off and disposal	(83,513)	(25,060)	(8,571)	(16,710)	(133,854)
Exchange alignment	-	198	85	89	372
At 31 December 2021	254,626	15,133	13,191	42,724	325,674
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)
At 31 December 2022	138,492	33,122	20,393	64,722	256,729
Net carrying amount					
At 31 December 2022	205,112	47,905	20,754	400,500	674,271
At 31 December 2021	249,278	70,147	27,625	364,737	711,787

Right of use asset

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

	2022 HK$'000	*2021* HK$'000
Ownership interests in leasehold land and building held for own use with remaining lease term of:		
- Less than 10 years	205,112	249,278
Office equipment and furniture carried at depreciated cost	5,915	10,003
Computers equipment carried at depreciated cost	5,422	1,435
	216,449	260,716

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

	2022 HK$'000	*2021* HK$'000
Depreciation charge of right-of-use assets by class of underlying asset		
Properties leased for own use	127,775	138,757
Office equipment and furniture	4,292	4,273
Computers equipment	2,358	2,311
	134,425	145,341

	2022 HK$'000	*2021* HK$'000
Interest on lease liabilities	7,250	2,039
Expense relating to short-term leases and other leases	976	1,965

During the year, additions to right-of-use assets were HK$95,539,000 (2021: HK$141,967,000). 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 2022 are set out in notes 30 and 39, respectively.

As of 31 December 2022, there are no leases subject to variable lease payment arrangement.

19 Statutory deposits

	2022 HK$'000	*2021* HK$'000
Statutory deposits	5,142	4,579

The Group has deposited in the name of the Director of Accounting Services with a bank a sum of HK$1,555,000 (2021: HK$1,553,000) 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:

	2022 HK$'000	*2021* HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	132,012	148,819
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit from continuing operations	(7,954)	740
Other comprehensive income	(9,603)	4,166
Total comprehensive income	(17,557)	4,907

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 (note1)*	*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

Name of company	*Place of incorporation and business*	*Particular of issued shares /registered and fully paid-up capital (note 1)*	*Proportion of ownership interest* Group's effective interest	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
YF Life Consultants Limited (formerly known as YF Life Insurance 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
北京雲鋒環球投資咨詢有限公司 (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.

(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 2022. The summarised financial information presented below represents the amounts including intangible assets identified on acquisition date before any inter-company elimination.

	2022 HK$'000	*2021* HK$'000
NCI percentage	30.2%	30.2%
Total assets	98,147,309	92,846,628
Total liabilities	(83,975,567)	(74,185,300)
Total net assets	14,171,742	18,661,328
Net assets attributable to NCI	4,279,866	5,635,722
Goodwill attributable to NCI	531,276	531,276
Carrying amount of NCI	4,811,142	6,166,998
Net earned premium and fee income	6,130,731	5,155,195
Profit for the year	481,962	924,671
Total comprehensive income	(4,489,587)	681,479
Profit allocated to NCI	145,552	279,251
Dividend paid to NCI	-	-
Cash flows from operating activities	4,956,387	3,894,472
Cash flows from investing activities	(7,543,486)	(5,382,381)
Cash flows from financing activities	2,091,697	2,574,178

22 Goodwill and other intangible assets

(a) Goodwill

	2022	*2021*
	HK$'000	HK$'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

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% (2021: 8.75%).

(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 2021	78,910	4,000	2,930	11,333	97,173
Additions	-	-	-	1,724	1,724
Written off	-	-	-	(3,753)	(3,753)
Exchange alignment	-	-	-	28	28
At 31 December 2021 and 1 January 2022	78,910	4,000	2,930	9,332	95,172
Additions	-	-	-	-	-
Written off	-	-	-	-	-
Exchange alignment	106	-	-	(206)	(100)
At 31 December 2022	79,016	4,000	2,930	9,126	95,072
Accumulated amortisation and impairment					
At 1 January 2021	-	3,500	-	10,156	13,656
Charge for the year	-	-	-	618	618
Written off	-	-	-	(3,753)	(3,753)
Exchange alignment	-	-	-	9	9
At 31 December 2021 and 1 January 2022	-	3,500	-	7,030	10,530
Charge for the year	-	-	-	962	962
Written off	-	-	-	-	-
Exchange alignment	-	-	-	(71)	(71)
At 31 December 2022	-	3,500	-	7,921	11,421
Carrying amount					
At 31 December 2022	79,016	500	2,930	1,205	83,651
At 31 December 2021	78,910	500	2,930	2,302	84,642

As at 31 December 2022, the Group had two (2021: two) trading rights in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and one (2021: 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 one (2021: 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 2022, 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 Value of business acquired

	2022 HK$'000	*2021* HK$'000
At 1 January	9,325,913	9,012,571
Amortisation for the year	(114,241)	(163,450)
	9,211,672	8,849,121
Effect of shadow accounting allocated to fair value reserve	1,192,775	476,792
Exchange alignment	13,953	-
At 31 December	10,418,400	9,325,913

24 Deferred acquisition costs

	2022			*2021*		
	Insurance contracts HK$'000	*Investment contracts* HK$'000	*Total* HK$'000	*Insurance contracts* HK$'000	*Investment contracts* HK$'000	*Total* HK$'000
At 1 January	3,455,112	50,661	3,505,773	1,917,142	14,055	1,931,197
Amount deferred	1,893,459	17,825	1,911,284	2,104,659	29,483	2,134,142
Amortisation for the year	(741,813)	(2,008)	(743,821)	(609,516)	604	(608,912)
	1,151,646	15,817	1,167,463	1,495,143	30,087	1,525,230
Effect of shadow accounting allocated to fair value reserve	704,853	42,905	747,758	42,827	6,519	49,346
Exchange alignment	7,122	147	7,269	-	-	-
At 31 December	5,318,733	109,530	5,428,263	3,455,112	50,661	3,505,773

The amount of deferred acquisition costs expected to be recognised as expense after more than one year is HK$4,718,542,000 (2021: HK$2,879,091,000).

25 Investments

2022	*At fair value through other comprehensive income* HK$'000	*At fair value through profit or loss* HK$'000	*Amortised cost* HK$'000	*Total* HK$'000
Debt securities:				
- Unlisted	18,303,863	2,389,195	29,636,150	50,329,208
Mortgage loans	-	-	5,702,603	5,702,603
	18,303,863	2,389,195	35,338,753	56,031,811
Equity securities:				
- Listed	-	484,675	-	484,675
- Unlisted	-	166,542	-	166,542
	-	651,217	-	651,217
Fund investment and others:				
- Unlisted (note (a))	-	2,745,079	-	2,745,079
Unit trusts:				
- Unlisted	-	8,651,131	-	8,651,131
Total	18,303,863	14,436,622	35,338,753	68,079,238
Market value of listed securities	-	484,675	-	484,675

2021	*At fair value through other comprehensive income* HK$'000	*At fair value through profit or loss* HK$'000	*Amortised cost* HK$'000	*Total* HK$'000
Debt securities:				
- Unlisted	22,175,259	2,715,947	24,696,256	49,587,462
Mortgage loans	-	-	5,995,262	5,995,262
	22,175,259	2,715,947	30,691,518	55,582,724
Equity securities:				
- Listed	-	371,498	-	371,498
- Unlisted	-	418,983	-	418,983
	-	790,481	-	790,481
Fund investment and others:				
- Unlisted (note (a))	-	2,871,219	-	2,871,219
Unit trusts:				
- Unlisted	-	8,651,880	-	8,651,880
Total	22,175,259	15,029,527	30,691,518	67,896,304
Market value of listed securities	-	371,498	-	371,498

Notes:

(a) In 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. As a result, 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 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 is set out in note 5. During the year, the Group has not made any injection to the joint venture. As of 31 December 2022, the carrying value of the jointly controlled entity amounted to approximately HK$111,000,000 (2021: HK$133,000,000).

(b) Investments of HK$16,508,677,000 (2021: HK$13,382,007,000) have been pledged in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

(c) The portion of the investments that is expected to be recoverable within one year is HK$11,098,092,000 (2021: HK$11,966,319,000) and the portion that is expected to be recoverable after more than one year is HK$56,981,146,000 (2021: HK$55,929,985,000).

(d) 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(t).

	2022							*2021*						
	Investment grade			*Non-investment grade*				*Investment grade*			*Non-investment grade*			
HK$'000	*12-month ECL*	*Lifetime ECL not credit - impaired*	*Lifetime ECL credit - impaired*	*12-month ECL*	*Lifetime ECL not credit - impaired*	*Lifetime ECL credit - impaired*	*Total*	*12-month ECL*	*Lifetime ECL not credit - impaired*	*Lifetime ECL credit - impaired*	*12-month ECL*	*Lifetime ECL not credit - impaired*	*Lifetime ECL credit - impaired*	*Total*
Financial assets at amortised cost														
Unlisted debt securities	29,578,208	11,596	-	-	158,636	48	29,748,488	24,582,238	4,855	-	-	162,370	79	24,749,542
Mortgage loan	5,105,748	-	-	-	610,805	-	5,716,553	4,865,375	-			1,107,359	34,284	6,007,018
Gross carrying amount	34,683,956	11,596	-	-	769,441	48	35,465,041	29,447,613	4,855	-	-	1,269,729	34,363	30,756,560
Less: Loss allowance	(113,183)	(1,382)	-	-	(11,696)	(27)	(126,288)	(47,049)	(139)	-	-	(6,949)	(10,905)	(65,042)
Amortised cost	34,570,773	10,214	-	-	757,745	21	35,338,753	29,400,564	4,716	-	-	1,262,780	23,458	30,691,518
Financial assets at FVOCI (recycling)														
Unlisted debt securities gross carrying amount	20,056,403	229,504	17,818	-	1,306,636	366,468	21,976,829	18,572,444	105,067	18,020	-	2,039,462	143,131	20,878,124
Less: Loss allowance	(82,993)	(15,821)	(488)	-	(50,481)	(303,188)	(452,971)	(18,765)	(7,485)	(493)	-	(38,448)	(91,857)	(157,048)
Amortised cost	19,973,410	213,683	17,330	-	1,256,155	63,280	21,523,858	18,553,679	97,582	17,527	-	2,001,014	51,274	20,721,076
Carrying amount – fair value	16,828,036	211,019	20,593	-	1,120,612	123,602	18,303,863	20,033,869	116,330	26,842	-	1,935,881	62,337	22,175,259

	12-month ECL HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Debt securities at amortised cost:				
Balance as at 1 Jan 2021	30,450	10,130	28,122	68,702
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	16,377	(3,678)	(28,116)	(15,417)
Balance as at 31 Dec 2021	46,827	6,452	6	53,285
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	58,770	112	21	58,903
Exchange alignment	141	9	-	150
Balance as at 31 Dec 2022	105,738	6,573	27	112,338

	12-month ECL HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Mortgage loan at amortised cost:				
Balance as at 1 Jan 2021	7,033	807	8,106	15,946
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(6,811)	(171)	2,793	(4,189)
Balance as at 31 Dec 2021	222	636	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
Balance as at 31 Dec 2022	7,445	6,505	-	13,950

	12-month ECL HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Debt securities at fair value through other comprehensive income				
Balance as at 1 Jan 2021	48,246	19,919	37,571	105,736
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(29,481)	26,014	54,779	51,312
Balance as at 31 Dec 2021	18,765	45,933	92,350	157,048
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	64,116	20,281	210,918	295,315
Exchange alignment	112	88	408	608
Balance as at 31 Dec 2022	82,993	66,302	303,676	452,971

(e) The maturity profile of the Group's debt securities and loans and receivables is as follows:

	2022 HK$'000	*2021* HK$'000
Fixed maturities due in		
- 1 year or less	818,738	818,831
- 1 to 5 years	5,635,615	5,721,132
- 5 to 10 years	8,212,868	10,313,435
- More than 10 years	35,661,987	32,734,064
	50,329,208	49,587,462
Mortgage loans due in		
- 1 year	671,507	142,601
- 2 years	352,888	740,026
- 3 years	643,587	358,169
- 4 years	1,009,123	686,309
- 5 years	514,104	1,012,788
- More than 5 years	2,511,394	3,055,369
	5,702,603	5,995,262

(f) 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 5) 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 5).

(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$40,516,000 (2021: HK$37,466,000) 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.

(g) The unlisted equity security under FVOCI (non-recycling) is perpetual capital issued by China CITIC Bank International Limited registered in Hong Kong and engaged in banking business. The Group designated its investment in the perpetual capital at FVOCI (non-recycling), as the investment is held for strategic purposes. The investment was disposed during 2021. No dividend was received on this investment during the year (2021: HK$3,307,000).

(h) At year end, the carrying amounts of the Group's financial assets being accounted for under the overlay approach are shown as below.

	2022 HK$'000	*2021* HK$'000
Financial assets measured at FVPL		
Unlisted equity/partnership fund investment	2,093,758	2,174,420
Unlisted unit trust investment	1,181,698	1,367,731
Unlisted debt securities	2,154,461	2,541,127
Listed securities	68,232	119,057
	5,498,149	6,202,335

For financial assets at FVPL being accounted under the overlay approach, the amounts charged to the consolidated income statements reported with and without overlay adjustments for the year ended are stated as below:

	31 December 2022			
	Under HKFRS 9 HK$'000	*Overlay approach adjustments* HK$'000	*Under HKFRS 9 (adjusted by overlay approach)* HK$'000	*Under HKAS 39* HK $'000
Net realised and unrealised losses of fair value through profit or loss financial asset under overlay adjustment on:				
- Unlisted fund investment	(111,199)	111,199	-	-
- Unlisted unit trust investment and listed securities	(95,655)	95,655	-	-
- Unlisted debt securities	(402,705)	402,705	-	-
Subtotal	(609,559)	609,559	-	-
Net realised and unrealised losses of fair value through profit or loss financial asset under overlay adjustment on:				
- Impaired unlisted unit trust investment and listed securities	(152,327)	152,327	-	-
- Impaired unlisted debt securities	(34,369)	34,369	-	-
Impairment losses on fair value through profit or loss financial asset under overlay adjustment on:				
- Unlisted unit trust investment and listed securities	-	(152,327)	(152,327)	(152,327)
- Unlisted debt securities	-	(34,369)	(34,369)	(34,369)
Subtotal	(186,696)	-	(186,696)	(186,696)

	31 December 2021			
	Under HKFRS 9 HK$'000	*Overlay approach adjustments* HK$'000	*Under HKFRS 9 (adjusted by overlay approach)* HK$'000	*Under HKAS 39* HK $'000
Net realised and unrealised gains of fair value through profit or loss financial asset under overlay adjustment on:				
- Unlisted fund investment	318,976	(318,976)	-	-
- Unlisted unit trust investment and listed securities	40,868	(40,868)	-	-
- Unlisted debt securities	17,585	(17,585)	-	-
Total	377,429	(377,429)	-	-

26 Advance reinsurance premiums

Analysis of movement in advance reinsurance premiums

	2022 HK$'000	*2021* HK$'000
At 1 January	1,277,899	1,289,587
Other movements	94,171	(11,688)
Exchange alignment	1,840	-
At 31 December	1,373,910	1,277,899

Advance reinsurance premiums are expected to be recovered within one year.

27 Insurance and reinsurance receivables

	2022 HK$'000	*2021* HK$'000
Loans to policyholders	5,131	3,583
Direct premium receivables	8,977	6,287
Reinsurance receivables	8,865,371	6,766,898
	8,879,479	6,776,768

At 31 December 2022, none of the insurance and reinsurance receivables were past due or impaired (2021: none).

At 31 December 2022, the amount of insurance and reinsurance receivables expected to be settled after more than one year is HK$8,170,628,000 (2021: HK$6,172,969,000).

28 Other accounts receivable and accrued income

	2022 HK$'000	*2021* HK$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	72,579	38,063
- Margin clients	8,689	5,728
- Clients for subscription of new shares in IPO	-	-
- Clearing house, brokers, fund managers and dealers	31,578	29,778
	112,846	73,569
Other accounts receivable arising from consultancy and advisory services	1,134	1,134
Other service fees receivables	7,848	6,762
	121,828	81,465
Less: allowance for credit losses	(2,029)	(1,934)
	119,799	79,531

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.

(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:

	2022 HK$'000	*2021* HK$'000
Current	117,579	74,700
Less than 1 month past due	208	855
1 to 3 months past due	152	1,934
More than 3 months past due	1,860	2,042
Amounts past due	2,220	4,831
	119,799	79,531

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$2,220,000 (2021: HK$4,831,000) 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 2022 and 2021, 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 (2021: Nil) and amount of HK$2,220,000 of other fee receivable (2021: HK$4,831,000) 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.

(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:

	2022	*2021*
	HK$'000	HK$'000
At 1 January	1,934	1,791
Provision for impairment loss recognised	112	143
Amount recovered during the year	(17)	-
At 31 December	2,029	1,934

Amount of HK$895,000 (2021: HK$800,000) relates to credit impaired other accounts receivable arising from the business of dealing in securities. HK$1,134,000 (2021: HK$1,134,000) relates to credit impaired other accounts receivable arising from the business of consultancy and advisory services.

(d) Balance with related parties

At 31 December 2022, the balance of other service fee receivables includes fund management fee of approximately HK$1,122,000 (2021: HK$561,000) due from a joint venture of the Group.

29 Other receivables, deposits and prepayment

	Note	*2022* HK$'000	*2021* HK$'000
Utility and rental deposits	(i)	45,904	50,637
Loans to agents and staff		57,486	18,219
Accrued investment income		669,978	612,792
Other receivable from non-controlling shareholders of a subsidiary		6,644	6,644
Prepayment, other deposits and receivables		161,728	167,677
Derivative financial instruments		95,382	37,059
		1,037,122	893,028
Less: provision for impairment of other receivables	(ii)	(8,423)	(8,410)
		1,028,699	884,618

Notes:

(i) The amount of utility and rental deposits expected to be recovered after more than one year is HK$32,477,000 (2021: HK$27,316,000).

(ii) Impairment of other receivables

Other receivable of HK$8,423,000 (2021: HK$8,410,000) 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:

	2022 HK$'000	*2021* HK$'000
At 1 January	8,410	8,652
Provision/(reversal) of impairment loss recognised	14	(429)
Amount written off	-	-
Exchange alignment	(1)	187
At 31 December	8,423	8,410

(iii) Except for those mentioned above in (i), all of the other receivables are expected to be recovered within one year.

30 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts

	Note	*2022* HK$'000	*2021* HK$'000
Bank balance - trust and segregated accounts			
Deposit with bank		509,653	779,886
Less: impairment allowance	(iii)	(154)	(154)
	(i)	509,499	779,732
Fixed bank deposits with original maturity over 3 months			
Deposit with bank		1,624,973	1,060,574
Less: impairment allowance	(iii)	-	-
		1,624,973	1,060,574
Cash and cash equivalents			
Deposit with bank	(ii)	23,836	9,900
Fixed bank deposits with original maturity less than 3 months		889,548	1,252,421
Cash at bank and in hand		1,634,631	2,762,268
Less: impairment allowance	(iii)	(114)	(114)
Cash and cash equivalents in the statement of financial position		2,547,901	4,024,475

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:

	2022 HK$'000	*2021* HK$'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$856,494,000 (2021: HK$727,089,000) to banks in favour of the Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

(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 cash flow statement as cash flows from financing activities.

	Policyholders' deposit HK$'000	*Bank borrowings* HK$'000	*Preference shares* HK$'000	*Lease liabilities* HK$'000	*Shareholder's loan* HK$'000	*Total* HK$'000
At 1 January 2021	45,377,625	1,553,503	387,655	286,412	1,641,077	49,246,272
Change from financing cash flow:						
Payment made to lease liabilities	-	-	-	(148,498)	-	(148,498)
Policyholders' account deposits	4,770,747	-	-	-	-	4,770,747
Policyholders' account withdrawals	(2,066,236)	-	-	-	-	(2,066,236)
Redemption of preference shares	-	-	(197,455)	-		(197,455)
Drawdown of bank loans	-	1,400,000	-	-	-	1,400,000
Repayment of a bank loan	-	(1,555,038)	-	-	-	(1,555,038)
Other borrowing cost paid	-	(58,083)	-	-	-	(58,083)
Total change in financing cash flows	2,704,511	(213,121)	(197,455)	(148,498)	-	2,145,437
Net change in lease obligation	-	-	-	139,655	-	139,655
Finance charge and effective interest expenses	-	41,394	-	2,039	83,694	127,127
Fair value change	-	-	2,448	-	-	2,448
Interest credited to policyholders' account balances	1,832,747	-	-	-	-	1,832,747
Cost of insurance charges	(660,366)	-	-	-	-	(660,366)
Administrative fees	(1,289,764)	-	-	-	-	(1,289,764)
Other reserve changes	(16,204)	-	-	-	-	(16,204)
Transfer to the other payable and accrual	-	-	-	-	(83,694)	(83,694)
At 31 December 2021	47,948,549	1,381,776	192,648	279,608	1,641,077	51,443,658

	Policyholders' deposit HK$'000	*Bank borrowings* HK$'000	*Preference shares* HK$'000	*Lease liabilities* HK$'000	*Shareholder's loan* HK$'000	*Total* HK$'000
At 31 December 2021 and 1 January 2022	47,948,549	1,381,776	192,648	279,608	1,641,077	51,443,658
Change from financing cash flow:						
Payment made to lease liabilities	-	-	-	(144,356)	-	(144,356)
Policyholders' account deposits	4,131,922	-	-	-	-	4,131,922
Policyholders' account withdrawals	(1,905,299)	-	-	-	-	(1,905,299)
Redemption of preference shares	-	-	(87,917)	-	-	(87,917)
Drawdown of bank loans	-	-	-	-	-	-
Repayment of a bank loan	-	-	-	-	-	-
Other borrowing cost paid	-	(49,413)	-	-	-	(49,413)
Total change in financing cash flows	2,226,623	(49,413)	(87,917)	(144,356)	-	1,944,937
Net change in lease obligation	-	-	-	90,629	-	90,629
Finance charge and effective interest expenses	-	60,803	-	7,250	83,694	151,747
Fair value change	-	-	444	-	-	444
Interest credited to policyholders' account balances	638,521	-	-	-	-	638,521
Cost of insurance charges	(668,934)	-	-	-	-	(668,934)
Administrative fees	(1,304,640)	-	-	-	-	(1,304,640)
Other reserve changes	(29,282)	-	-	-	-	(29,282)
Transfer to the other payable and accrual	-	-	-	-	(83,694)	(83,694)
Exchange alignment	35,936	-	-	(65)	-	35,871
At 31 December 2022	48,846,773	1,393,166	105,175	233,066	1,641,077	52,219,257

(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 2022, client money maintained in segregated accounts amounted to HK$509,499,000 (2021: HK$779,732,000).

31 Insurance contract provisions

	Note	*2022* HK$'000	*2021* HK$'000
Policyholders' deposits	(i)	44,237,231	43,338,452
Future policyholders' benefits	(ii)	24,684,183	18,791,144
Unearned revenue liability	(iii)	3,120,160	991,709
		72,041,574	63,121,305

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2022 HK$'000	*2021* HK$'000
At 1 January	43,338,452	40,913,580
Premiums received during the year	3,894,747	4,377,617
Net fees and charges deducted from account balances	(1,933,608)	(1,900,128)
Interest credited to account balances	493,808	1,655,295
Redemptions due for payment in current year	(1,559,304)	(1,720,897)
Others movements	(29,410)	12,985
Exchange alignment	32,546	-
At 31 December	44,237,231	43,338,452

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2022 HK$'000	*2021* HK$'000
At 1 January	18,791,144	13,358,343
Movement during the year	5,874,880	5,432,801
Exchange alignment	18,159	-
At 31 December	24,684,183	18,791,144

(iii) Unearned revenue liability

	2022 HK$'000	*2021* HK$'000
At 1 January	991,709	215,853
Amount deferred	655,216	733,561
Amortisation for the year allocated to consolidated income statement	(109,656)	(191,765)
	545,560	541,796
Effect of shadow accounting allocated to fair value reserve	1,580,597	234,060
Exchange alignment	2,294	-
At 31 December	3,120,160	991,709

(iv) The amount of insurance contract provisions expected to be settled after more than one year is HK$67,935,753,000 (2021: HK$59,333,185,000).

32 Investment contract liabilities

	Note	*2022* HK$'000	*2021* HK$'000
Policyholders' deposits	(i)	4,609,542	4,610,098
Future policyholders' benefits	(ii)	70,968	73,238
Unearned revenue liability	(iii)	173,038	31,010
		4,853,548	4,714,346

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2022 HK$'000	*2021* HK$'000
At 1 January	4,610,098	4,464,045
Contributions received during the year	141,544	308,666
Net fee and charges deducted from account balances	(33,781)	(43,476)
Interest credited to account balances	144,713	177,452
Redemptions due for payment in current year	(266,608)	(290,350)
Others movements	10,186	(6,239)
Exchange alignment	3,390	-
At 31 December	4,609,542	4,610,098

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2022 HK$'000	*2021* HK$'000
At 1 January	73,238	64,828
Movement during the year	(2,323)	8,410
Exchange alignment	53	-
At 31 December	70,968	73,238

(iii) Unearned revenue liability

Analysis of movement in unearned revenue liability:

	2022 HK$'000	*2021* HK$'000
At 1 January	31,010	(36,018)
Amount deferred	30,980	39,678
Amortisation for the year allocated to consolidated income statement	1,253	(5,582)
	32,233	34,096
Effect of shadow accounting allocated to fair value reserve	109,668	32,932
Exchange alignment	127	-
At 31 December	173,038	31,010

(iv) The amount of investment contract liabilities expected to be settled after more than one year is HK$4,607,093,000 (2021: HK$4,481,295,000).

33 Outstanding claims

	2022			*2021*		
	Gross HK$'000	*Reinsurers' share* HK$'000	*Net* HK$'000	*Gross* HK$'000	*Reinsurers' share* HK$'000	*Net* HK$'000
Outstanding claims	186,626	(94,267)	92,359	182,557	(87,347)	95,210
Claims incurred but not reported	42,776	-	42,776	47,291	-	47,291
	229,402	(94,267)	135,135	229,848	(87,347)	142,501
Amount expected to be settled within one year	229,402	(94,267)	135,135	229,848	(87,347)	142,501

Analysis of movements in outstanding claims:

	2022			*2021*		
		Reinsurers'			*Reinsurers'*	
	Gross	*share*	*Net*	*Gross*	*share*	*Net*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	229,848	(87,347)	142,501	184,160	(55,443)	128,717
Current year claims	1,122,107	(560,758)	561,349	1,066,915	(473,120)	593,795
Current year claims paid	(1,117,407)	482,315	(635,092)	(918,188)	394,021	(524,167)
Previous year claims paid	(778)	71,614	70,836	(116,584)	47,195	(69,389)
Movement in incurred but not reported reserve	(4,515)	-	(4,515)	13,545	-	13,545
Exchange alignment	147	(91)	56	-	-	-
Balance at 31 December	229,402	(94,267)	135,135	229,848	(87,347)	142,501

34 Reinsurance premium payables

All of the reinsurance premium payables are expected to be settled within one year.

35 Other accounts payable

	2022	*2021*
	HK$'000	HK$'000
Accounts payable		
- Cash and margin clients	597,737	820,449
- Clearing house, fund managers, brokers and dealers	11,727	23,639
	609,464	844,088

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$520,331,000 (2021: HK$784,721,000).

All of the accounts payable are aged and due within one month or on demand.

Balance with related parties

At 31 December 2022, accounts payable of approximately HK$12,794,000 (2021: HK$15,782,000) and HK$83,286,000 (2021: HK$8,930,000) 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.

36 Other payables and accrued expenses

	2022	*2021*
	HK$'000	HK$'000
Accrued staff costs	83,911	106,771
Commission payables	340,021	305,021
Derivative financial instruments	116,505	137,975
Premium received in advance	1,893,160	1,673,362
Reinsurance deposit liability	1,772,825	1,538,093
Other payables and accruals	978,479	557,059
	5,184,901	4,318,281

Premium received in advance are expected to be earned according to policy terms or refunded on demand.

Reinsurance deposit liability is expected to be withheld according to the terms of agreement or refunded on demand for termination of agreement.

Apart from a total amount of HK$170,142,000 (2021: HK$86,447,000) of other payables and accrued expenses, the remaining balances is expected to be settled within one year or are repayable on demand.

Balance with related parties

1) At 31 December 2022, accounts payable of approximately HK$59,859,000 (2021: HK$71,102,000) are payable to MassMutual International LLC ("MMI") who is a substantial shareholder of the Company and its affiliates.

2) At 31 December 2022, interest accrual of approximately HK$170,142,000 (2021: HK$86,447,000) is due to Key Imagination Limited ("KIL") who is the controlling shareholder of the Company.

37 Income tax in the statement of financial position

(a) Tax (recoverable)/payable in the statement of financial position represents:

	2022 HK$'000	*2021* HK$'000
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	46,085	49,291
Provisional Profits Tax paid	(49,404)	(37,757)
	(3,319)	11,534
Balance of Profits Tax provision relating to prior years	133	10
	(3,186)	11,544
Macao Complementary Tax		
Balance of Macao Complementary Tax provision for the year	5,640	-
Overseas Tax		
Balance of overseas provision for the year	(76)	88
	2,378	11,632
Amount of tax payable expected to be settled within one year	5,640	11,632
Amount of taxation recoverable expected to be settled within one year	3,262	-

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value Adjustment to assets and liabilities related to acquisition of subsidiaries HK$'000	*Accelerated tax depreciation* HK$'000	*Tax losses* HK$'000	*Fair value adjustment on investment at fair value through profit and loss* HK$'000	*Fair value adjustment on investment at fair value through other comprehensive income* HK$'000	*Decelerated tax on expense/ expected credit loss incurred* HK$'000	*Total* HK$'000
Deferred tax liabilities/ (assets) arising from:							
At 1 January 2021	1,220,317	(106)	-	-	-	(44)	1,220,167
(Credited)/charged to profit or loss	(43,569)	106	-	110	-	-	(43,353)
Exchange alignment	-	-	-	-	-	-	-
At 31 December 2021	1,176,748	-	-	110	-	(44)	1,176,814
At 1 January 2022	1,176,748	-	-	110	-	(44)	1,176,814
Credited to profit or loss	(40,145)	(45)	-	(145)	-	(4,191)	(44,526)
Credited to other comprehensive income	-	-	-	-	(37,932)	-	(37,932)
Exchange alignment	1,525	2	-	-	-	-	1,527
At 31 December 2022	1,138,128	(43)	-	(35)	(37,932)	(4,235)	1,095,883

At 31 December 2022, no deferred tax asset has been recognised in respect of the tax losses of HK$1,623 million (2021: HK$2,266 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$1,616 million (2021: HK$1,494 million) do not expire under current tax legislation.

38 Financial liabilities at fair value through profit or loss

	2022 HK$'000	*2021* HK$'000
Designated at fair value through profit or loss		
Preference share liability *(note 1)*	105,175	192,648
Third-party interests in consolidated funds *(note 2)*	131,187	183,615
Short position in listed equity	1,002	-
	237,364	376,263

Note:

(1) By 31 December 2022, total number of preference shares issued was approximately 134,812 shares (2021: 247,092 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 after more than one year from 31 December 2022.

(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 2022.

39 Lease liabilities

The Group had obligations under contractual maturities of the lease liabilities as follows:

	31 December 2022		*31 December 2021*	
	Present value of the minimum lease payment HK$'000	*Total minimum lease payment* HK$'000	*Present value of the minimum lease payment* HK$'000	*Total minimum lease payment* HK$'000
Within one year	107,283	112,540	127,651	133,596
After one but within 2 years	86,794	89,076	81,599	85,060
After 2 years but within 5 years	38,989	39,487	70,358	71,816
Over 5 years	-	-	-	-
	233,066	241,103	279,608	290,472
Less: finance cost		(8,037)		(10,864)
Present value lease liabilities		233,066		279,608

40 Bank borrowings

The bank loan was unsecured and repayable as follows:

	2022 HK$'000	*2021* HK$'000
Within one year	-	-
After 1 year but within 2 years	1,393,166	-
After 2 year but within 3 years	-	1,381,776

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 2022, the Group is in compliance with the covenants. Further details of the Group's management of liquidity risk are set out in note 5.

41 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. The Group has an unconditional extension right to extend the due date for another year at the interest rate to be reset based on prevailing market condition at the time of exercising the right.

42 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
At 1 January 2021	11,872,180	64,000	(83,230)	9,473	(1,677,807)	10,184,616
Equity settled share-based transactions	-	-	-	(7,898)	-	(7,898)
Total comprehensive income for the year	-	-	-	-	(41,098)	(41,098)
At 31 December 2021 and 1 January 2022	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)
At 31 December 2022	11,872,180	64,000	(83,230)	1,575	(1,786,335)	10,068,190

(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.

(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(y).

(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.

(c) Distributability of reserves

As at 31 December 2022, 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) (2021: Nil).

(d) Dividend

No dividend was paid or proposed for the year ended 31 December 2022 (2021: Nil), nor has dividend been proposed since the end of the reporting period.

(e) Share capital

Movements of the Company's ordinary shares are set out below:

	2022 Number of shares	Amount HK$'000	*2021* Number of shares	Amount HK$'000
Issued and fully paid:				
Balance brought forward and carried forward	3,867,991,673	11,872,683	3,867,991,673	11,872,683

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 with regard to 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 2022.

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.

43 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 2022 and 31 December 2022 as disclosed below under note 43 (iii) were granted to other employees.

(ii) Details of the 2016 Share Award Scheme (to Group A Grantee)

Date of approval by board	*Date of award*	*Awarded sum* HK$'000	*Number of shares issued*	*Number of awarded shares awarded*	*Average fair value per share* HK$	*Vesting period*
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)

Date of approval by board	*Date of award*	*Awarded sum* HK$'000	*Number of shares repurchased*	*Number of awarded shares awarded*	*Average fair value per share* HK$	*Vesting period*
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

(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 2020 and 1 January 2021				
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	-	4,800,000	247,500
4 May 2020	5,047,500	-	4,800,000	247,500
Total	20,190,000	7,882,500	11,812,500	495,000
Movement for the year 2021				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	97,500	
4 May 2020	-	-	97,500	
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				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
As of 31 December 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

The awarded share remains outstanding due to service condition modification.

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 2020 and 1 January 2021				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	200,000	512,500
4 May 2020	712,500	-	200,000	512,500
4 May 2021	712,500	-	200,000	512,500
Total	2,850,000	712,500	600,000	1,537,500
Movement for the year 2021				
4 May 2018	-	-	-	
4 May 2019	-	-	512,500	
4 May 2020	-	-	512,500	
4 May 2021	-	-	512,500	
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				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 31 December 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	-

(iv) Details of the 2016 Share Award Scheme vested, cancelled and modification of service condition to Group B Grantee

Vesting date	*Number of awarded shares awarded*	*Number of awarded shares vested*	*Number of awarded shares cancelled*	*Number of awarded shares forfeited*	*Number of awarded share remains outstanding*
	A	B	C	D	E=A-B-C-D
2 Feb 2018	950,000	950,000	-	-	-
28 May 2018	19,050,000	19,050,000	-	-	-
As of 31 December 2018	20,000,000	20,000,000	-	-	-

There is no movement for 2016 Share Award Scheme to Group B Grantee for the year.

44 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 2022, the net assets of consolidated limited partnership fund entities as detailed in note 25 amounted to HK$382 million (2021: HK$535 million) with net carrying interest held by the Group being HK$251 million (2021: HK$352 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 income statement.

At year end, the Group reassessed the control of structured entities and decided whether the Group is a principal.

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.

45 Commitments

(a) Capital commitments

As at 31 December 2022, the Group has no (2021: HK$29.9 million) 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$1,406,145,000 (2021: HK$776,881,000).

(ii) As at 31 December 2022, the Group has capital commitment to a joint venture for an amount of US$20 million (2021: US$20 million) with US$13.93 million (2021: US$13.93 million) has been contributed.

(iii) As disclosed in the announcement of the Company dated 4 February 2016, YFFM (formerly known as Reorient Financial Markets Limited), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Giant Investment Co., Ltd., and Jiangsu YuWell Technology Development Co., Ltd. ("Jiangsu Limited") on that day. As disclosed in the circular of the Company dated 29 April 2016, the joint venture agreement was superseded and replaced by the amended and restated joint venture agreement entered among YFFM, Hangzhou Dr. Herbs Electronics Commerce Company Limited and Jiangsu Limited on 13 April 2016. Upon establishment of the joint venture company after obtaining all necessary approval as defined and disclosed in the circular, YFFM is committed to contribute RMB1,290,000,000 of the registered capital of the joint venture company.

46 Material related party transactions

(a) Transactions with key management personnel

The remuneration for key management personnel of the Group is as follows:

	2022 HK$'000	*2021* HK$'000
Short term employee benefits	38,129	19,496
Post-employment benefits	2,582	348
Equity compensation benefits	-	-
	40,711	19,844

Total remuneration is included in "staff costs" in note 11(a) to the financial statements.

During the year, no (2021: 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

	2022 HK$'000	*2021* HK$'000
Brokerage fee income *(note (i))*	5,692	1,633
Investment management fee paid *(note (ii))*	83,921	94,681
Transitional services fee paid *(note (iii))*	-	8,759
Policies endorsement fee paid *(note (iv))*	4,420	5,066
Management fee and advisory fee income from a joint venture and co-manager of the joint venture	2,419	2,205
Premiums and fee income *(note v)*	1,451	1,281

Note:

(i) During the year ended 31 December 2022 and 31 December 2021, 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 was paid to a substantial shareholder, who appointed a director to the board of the Company, for certain treasury and financial reporting services relating to investment or portfolio management and other information technology related services to YF Life.

(iv) 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.

(v) 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.

47 Company-level statement of financial position at 31 December 2022

	Note	*2022* HK$'000	*2021* HK$'000
Assets			
Interests in subsidiaries		11,408,971	11,399,632
Property		8,163	13,697
Other receivables and prepayments		9,286	8,801
Cash and cash equivalents		44,738	110,374
Total assets		11,471,158	11,532,504
Liabilities			
Accrued expenses and other payables		143	143
Lease liability		9,659	14,965
Bank borrowings	40	1,393,166	1,381,776
Total liabilities		1,402,968	1,396,884
NET ASSETS		10,068,190	10,135,620
EQUITY			
Share capital	42(a)	11,872,180	11,872,180
Reserves	42(a)	(1,803,990)	(1,736,560)
TOTAL EQUITY		10,068,190	10,135,620

48 Immediate and ultimate controlling party

At 31 December 2022, 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.

49 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the year 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 16, *Lease liability in sale and leaseback*	1 January 2024
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Non-current liabilities with covenants*	1 January 2024

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, except for HKFRS 17 *Insurance Contracts* which will be effective for annual periods beginning on 1 January 2023, with comparative information restated. This standard sets out the requirements that the Group should apply in accounting for insurance contracts it issues and reinsurance contracts it holds, and apply retrospectively.

The group is currently in the process of assessing the impact of HKFRS 17 and redesignation of financial assets upon adoption on 1 January 2023, and the transition work has not been finalised. The actual impact of adopting HKFRS 17 and related redesignation of financial assets may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying HKFRS 17;
- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

HKFRS 17 *Insurance Contracts*

HKFRS 17 replaces HKFRS 4 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023.

(i) Identifying contracts in the scope of HKFRS 17

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features ("DPF").

When identifying contracts in the scope of HKFRS 17, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

For investment contracts with DPF, under HKFRS 17, the Group will consider all of the discretionary benefits in the measurement of the liabilities and applies the presentation and disclosure requirements of HKFRS 17.

(ii) Level of aggregation

Under HKFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into semi-annual cohorts (i.e. by year of issue) and each semi-annual cohort into three groups:

- 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.

When a 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 may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of HKFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin ("CSM"), against losses on groups of onerous contracts, which are recognised immediately (see (iv)). Compared with the level at which the liability adequacy test is performed under HKFRS 4 (i.e. portfolio of contracts level), the level of aggregation under HKFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

(iii) Contract boundaries

Under HKFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the HKFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in HKFRS 17.

Insurance contracts

For 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 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.

Investment contracts with DPF

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date. The Group has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

Reinsurance contracts

For 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.

(iv) Measurement

HKFRS 17 introduces a measurement model based on the 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. These measurement components apply to groups of insurance contracts measured using the general measurement model ("GMM") and variable fee approach ("VFA"). The key principles of measurement under HKFRS 17 are as follows:

- The current estimate of the future cash flows of a group of contracts are the cash flows within the contract boundary that the Group expects to collect from premiums and pay-out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

- The risk adjustment for non-financial risks is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

- The contractual service margin is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

- Insurance acquisition cash flows arise from the activities like selling, underwriting and starting a group of contracts that are attributable to the portfolio of contracts to which the group belongs. These cash flows are included in measurement of insurance liability, reducing the contractual services margin recognised on initial recognition and affects the profit or loss through the CSM release process. The Group adds back the portion of premiums intended for recovering these cash flows to each reporting period in a systematic way on the basis of the passage of time as insurance revenue and recognises the same amount of insurance service expenses in profit or loss.

- Cash flows arising from the activities such as contract administration, premium collection, claims management, complaints handling that relate directly to the fulfilment of the contract are also included in the estimates of future cash flows.

- Cash flows that are not directly attributed to the portfolio of insurance contracts are recognised in profit and loss when incurred.

- A loss is recognised immediately in the profit or loss on initial recognition of a group of insurance contracts if that group is onerous.

- The VFA is used for direct participating contracts assuming that significant investment-related service(s) are included in the contract when an entity promises an investment return based on underlying items.

- The premium allocation approach ("PAA") is used for insurance and reinsurance contracts that meet the eligibility criteria including those with coverage period of one year or less and the resulting measurement for remaining coverage would not differ materially from the result of applying the GMM.

(v) Presentation and disclosure

HKFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Group's consolidated financial statements.

Under HKFRS 17, portfolios of insurance contracts and investment contracts with DPF 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. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. 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) will also be presented in the same line item as the related portfolios of contracts.

Under HKFRS 17, amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are disaggregated into:

(a) an insurance service result, comprising insurance revenue and insurance service expenses; and

(b) insurance finance income or expenses.

Amounts from reinsurance contracts will be presented separately.

(vi) 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 contractual services margin at 1 January 2022 would be 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 would measure the fair value of the contracts as the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique. The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. Measurement of insurance contracts under the fair value approach requires judgments, and the Group will use 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.

(vii) Redesignation of financial asset under HKFRS 9

HKFRS 17 permits, and in some cases requires, entities that applies 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, in accordance with HKFRS 9's transition requirements, HKFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023. Therefore the Group will elect 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.

50 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:

	As at 31 December 2022			
Consolidated statement of financial position		*HKFRSs adjustments*		*Amounts under US GAAP*
	Insurance-related balances reclassification[1]	*Other difference in accounting* [2]	*Difference in Impairment basis*[3]	HK$'000
Assets				
Property and equipment	-	212	-	674,483
Statutory deposits	-	-	-	5,142
Tax recoverable	-	-	-	3,262
Deferred tax assets	-	16,292	75,166	133,703
Investments in an associate	-	-	-	132,012
Goodwill and Intangible assets	-	-	-	1,909,213
Deferred acquisition costs and value of business acquired	336,340	-	-	16,183,003
Investments	-	710,737	(2,502,312)	66,287,663
Advance reinsurance premiums	-	-	-	1,373,910
Reinsurers' share of outstanding claims	(3,142)	-	-	91,125
Insurance and reinsurance receivables	(1,308,814)	-	(61,385)	7,509,280
Other account receivable and accrued income	-	-	-	119,799
Other receivables, deposit and prepayment	-	-	-	1,028,699
Bank balance - Trust and segregated accounts	-	-	-	509,499
Fixed bank deposits with original maturity over 3 months	-	-	-	1,624,973
Cash and cash equivalents	-	-	-	2,547,901
Total assets				100,133,667
Liabilities				
Insurance contract provisions	(4,794,924)	-	-	(76,836,498)
Investment contract liabilities	4,853,548	-	-	-
Outstanding claims	-	-	-	(229,402)
Reinsurance premium payables	121,798	-	-	(387,384)
Financial liability at fair value through profit or loss, other account payable and lease liabilities	-	-	-	(1,079,894)
Other payables	765,938	-	-	(4,418,963)
Tax payable	-	-	-	(5,640)
Deferred tax liabilities	-	-	-	(1,138,128)
Bank borrowings	-	-	-	(1,393,166)
Shareholder's loan	-	-	-	(1,641,077)
Total liabilities				(87,130,152)
Total net assets				13,003,515
Capital and reserves				
Share capital	-	-	-	11,872,683
Reserves	(24,492)	512,969	(1,738,220)	(3,139,507)
Non-controlling interest	(4,764)	214,272	(750,311)	4,270,339
Total equity				13,003,515

Consolidated statement of financial position	*As at 31 December 2021*			
	HKFRSs adjustments			*Amounts under US GAAP*
	Insurance-related balances reclassification[1]	*Other difference in accounting* [2]	*Difference in Impairment basis*[3]	HK$'000
Assets				
Property and equipment	-	2,821	-	714,608
Statutory deposits	-	-	-	4,579
Deferred tax assets	-	-	78	122
Investments in an associate	-	-	-	148,819
Goodwill and Intangible assets	-	-	-	1,910,204
Deferred acquisition costs and value of business acquired	366,755	-	-	13,198,441
Investments	-	38,772	54,135	67,989,211
Advance reinsurance premiums	-	-	-	1,277,899
Reinsurers' share of outstanding claims	(3,449)	-	-	83,898
Insurance and reinsurance receivables	(1,147,256)	-	-	5,629,512
Other account receivable and accrued income	-	-	-	79,531
Other receivables, deposit and prepayment	-	-	22	884,640
Bank balance - Trust and segregated accounts	-	-	155	779,886
Fixed bank deposits with original maturity over 3 months	-	-	-	1,060,574
Cash and cash equivalents	-	-	114	4,024,590
Total assets				97,786,514
Liabilities				
Insurance contract provisions	(4,679,491)	-	-	(67,800,796)
Investment contract liabilities	4,714,346	-	-	-
Outstanding claims	-	-	-	(229,848)
Reinsurance premium payables	210,629	-	-	(277,801)
Financial liability at fair value through profit or loss, other account payable and lease liabilities	-	-	-	(1,499,959)
Other payables	560,713	-	-	(3,757,568)
Tax payable	-	-	-	(11,632)
Deferred tax liabilities	-	-	-	(1,176,858)
Bank borrowings	-	-	-	(1,381,776)
Shareholder's loan	-	-	-	(1,641,077)
Total liabilities				(77,777,315)
Total net assets				20,009,199
Capital and reserves				
Share capital	-	-	-	11,872,683
Reserves	11,457	34,540	36,930	1,934,101
Non-controlling interest	10,790	7,053	17,574	6,202,415
Total equity				20,009,199

Consolidated income statement	*For the year ended 31 December 2022*			
		HKFRSs adjustments		*Amounts under US GAAP*
	Insurance-related balances reclassification[1]	*Other difference in accounting*[2]	*Difference in Impairment basis*[3]	HK$'000
Income				
Premiums and fee income	-	-	-	9,428,472
Premiums ceded to reinsurer	503,085	-	-	(2,218,347)
Net premium and fee income				7,210,125
Change in unearned revenue liability	(51,851)	-	-	(629,644)
Net earned premium and fee income				6,580,481
Brokerage commission, interest and other service income	-	-	-	26,664
Subscription, management and rebate fee income	-	-	-	6,646
Consultancy and advisory fee	-	-	-	-
Net investment income and other income	(447,951)	548,945	(1,858,659)	344,774
Overlay adjustment	-	(609,559)	-	-
Reinsurance commission and profit	(17,579)	-	-	63,330
Total income				7,021,895
Benefits, losses and expenses				
Net policyholders benefit	(37,663)	-	-	(1,344,152)
Commission and related expenses	-	-	-	(1,612,125)
Management and other expenses	(40,606)	(2,644)	(63,273)	(1,256,985)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	27,512	-	-	(4,791,823)
Total benefits, losses and expenses				(9,005,085)
Finance costs	-	-	-	(162,484)
Share of results in associates	-	-	-	(7,954)
Loss before taxation				(2,153,628)
Tax expenses	-	-	75,267	67,804
Loss after taxation				(2,085,824)
Loss attributable to:				
Equity shareholders of the Company	(45,408)	(44,308)	(1,288,972)	(1,635,088)
Non-controlling interests	(19,645)	(18,950)	(557,693)	(450,736)
				(2,085,824)

Consolidated income statement	*For the year ended 31 December 2021*			
		HKFRSs adjustments		*Amounts under US GAAP*
	Insurance-related balances reclassification[1]	*Other difference in accounting*[2]	*Difference in Impairment basis*[3]	HK$'000
Income				
Premiums and fee income	-	-	-	8,478,584
Premiums ceded to reinsurer	506,473	-	-	(2,242,776)
Net premium and fee income				6,235,808
Change in unearned revenue liability	2,339	-	-	(573,554)
Net earned premium and fee income				5,662,254
Brokerage commission, interest and other service income	-	-	-	34,809
Subscription, management and rebate fee income	-	-	-	7,855
Consultancy and advisory fee	-	-	-	-
Net investment income and other income	(421,444)	(355,303)	(1,295)	4,879,247
Overlay adjustment	-	377,429	-	-
Reinsurance commission and profit	(20,418)	-	-	58,353
Total income				10,642,518
Benefits, losses and expenses				
Net policyholders benefit	(32,512)	-	-	(2,538,638)
Commission and related expenses	-	-	-	(1,813,471)
Management and other expenses	(34,365)	(3,033)	-	(1,244,961)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(10,173)	-	-	(4,089,604)
Total benefits, losses and expenses				(9,686,674)
Finance cost	-	-	-	(149,120)
Share of result in associates	-	-	-	740
Profit before taxation				807,464
Tax expenses	-	-	-	(7,101)
Profit after taxation				800,363
Profit attributable to:				
Equity shareholders of the Company	(7,050)	(12,927)	(904)	518,387
Non-controlling interests	(3,050)	6,166	(391)	281,976
				800,363

Notes:

[1] Major differences in relation to insurance-related balance are summarised as follows: financial reinsurance adjustments arising from different classification of reinsurance contracts under HKFRS and US GAAP; difference in value of business acquired recognised under HKFRS and US GAAP and corresponding differences on insurance contract provisions; difference in measurement of deferred acquisition costs and unearned revenue liability due to different amortisation under HKFRS and US GAAP; other miscellaneous differences due to different accounting principles 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 (expected credit loss model vs. incurred loss model) 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.

51 Comparative figures

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

52 Contingent liabilities

The Group is currently involved in an employment dispute with former employees. Based on the management's current assessment, the Group believes that there is no need to provide any contingent liability as at 31 December 2022.

53 Non-adjusting events after the reporting period

There is no material non-adjusting event after the reporting period.

54 Scope of work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2022 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

	2022 HK$'000	*2021* HK$'000	*2020* HK$'000	*2019* HK$'000	*2018* HK$'000
RESULTS					
Premiums and fee income	9,428,472	8,478,584	7,723,441	6,016,075	761,673
Brokerage commission, interest and other service income	26,664	34,809	33,944	18,566	7,118
Subscription, management and rebate fee income	6,646	7,855	5,432	8,850	9,978
Consultancy and advisory income	-	-	-	1,060	13,092
(Loss)/profit before taxation	(103,385)	799,766	952,810	614,051	(181,296)
Taxation	(7,463)	(7,101)	(3,823)	699	41,791
Profit/(loss) for the year	(110,848)	792,665	948,987	614,750	(139,505)
Attributable to:					
Equity shareholder of the company	(256,400)	513,414	618,315	255,619	(195,612)
Non-controlling interest	145,552	279,251	330,672	359,131	56,107
(Loss)/profit for the year	(110,848)	792,665	948,987	614,750	(139,505)
Basic (loss)/earnings per share *(HK$)*	(0.07)	0.13	0.19	0.08	(0.08)
ASSETS AND LIABILITIES					
Property and equipment	674,271	711,787	600,451	495,328	133,946
Goodwill and intangible assets	1,909,213	1,910,204	1,909,079	1,923,360	1,932,016
Value of business acquired	10,418,400	9,325,913	9,012,571	10,057,446	11,075,662
Interest in associates	132,012	148,819	30,074	27,860	64,846
Investments	68,079,238	67,896,304	62,807,704	54,822,243	43,632,718
Other assets	21,657,439	18,481,340	13,192,676	8,001,207	7,048,729
Total liabilities	(88,076,512)	(78,583,512)	(68,210,788)	(59,864,286)	(48,533,891)
	14,794,061	19,890,855	19,341,767	15,463,158	15,354,026
Share capital	11,872,683	11,872,683	11,872,683	9,829,094	9,829,094
Reserves	(1,889,764)	1,851,174	1,507,893	273,604	(593,702)
	9,982,919	13,723,857	13,380,576	10,102,698	9,235,392
Non-controlling interests	4,811,142	6,166,998	5,961,191	5,360,460	6,118,634
Total equity	14,794,061	19,890,855	19,341,767	15,463,158	15,354,026

Definitions

In this 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 14 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
"Extension to the Transitional Services Agreement"	the extension to the transitional services agreement dated 15 November 2019 and entered into by and between YF Life and MMI
"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

Definitions (continued)

"MMLIC"	Massachusetts Mutual Life Insurance Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Policies Endorsement Fee Agreement"	the policies endorsement fee agreement dated 15 December 2017 and entered into by and between MMLIC and YF Life
"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
"Transitional Services Agreement"	the transitional services agreement dated 15 December 2017 and entered into by and between YF Life and MMI
"Year"	the year ended 31 December 2022
"YF Life"	YF Life Insurance International Limited, formerly known as MassMutual Asia Limited, a non-wholly owned subsidiary of the Company
"YF Life Group"	YF Life and its subsidiaries
"YFHL"	Yunfeng Financial Holdings Limited

By Order of the Board
Yunfeng Financial Group Limited
Huang Xin
Executive Director and Interim Chief Executive Officer

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Mr. Huang Xin (who is interim chief executive officer and executive director), Mr. Adnan Omar Ahmed, 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).