The unaudited financial information relating to the year ended 31 December 2020 and the financial information relating to the year ended 31 December 2019 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 2020 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 2019 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 2019. 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.

YF FINANCIAL
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 2020

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 2020 as follows:

Corporate Information

Board of Directors

Chairman

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

Executive Directors

Mr. Zhang Ke *(Vice Chairman and Chief Executive Officer)*
Mr. Huang Xin
Ms. Hai Olivia Ou

Non-Executive Directors

Mr. Adnan Omar Ahmed
Mr. Michael James O' Connor

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. Zhang Ke
Mr. Chan Man Ko

Company secretary

Mr. Chan Man Ko

Auditor

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

Corporate Information

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

Suites 3201-3204
One Exchange Square
8 Connaught Place
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

CEO's Statement

In 2020, against the backdrop of the outbreak of the Covid-19 pandemic which has caused disruptions to business activities across the world, Yunfeng Financial Group Limited ("Yunfeng Financial Group" or the "Company") continued to overcome difficulties, adapt to changes and achieve breakthroughs in business innovations and record growth in the insurance and financial services businesses of the Group. In the insurance industry, although the Hong Kong insurance market has been negatively impacted by the sharp decline in the number of tourists from mainland China, under the initiatives introduced to expedite the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Hong Kong government has continued to enhance the regulatory system and encourage insurance intermediaries to launch innovative products and services, which is conducive to the sustainable development of the insurance industry. Despite the unprecedented challenges posted by the COVID-19 pandemic and the turbulent macroeconomic conditions, the overall performance of the Hong Kong capital market in 2020 was robust. During the year, the insurance and financial services teams of the Group have grasped opportunities to apply innovations and technologies to enhance the competitiveness of our products and services with a view to strengthening our position as a leading integrated financial services group in Hong Kong.

For insurance business, in 2020, YF Life Insurance International Limited ("YF Life") demonstrated satisfactory business performance. In spite of being under the shadow of the Covid-19 pandemic, YF Life successfully managed to record net growth in its tied agency force in 2020. It also achieved notable growth in the number of in-force individual insurance policies, premium income and net operating income compared to the prior year. YF Life successfully boosted sales by launching new products and actively promoting its Voluntary Health Insurance Scheme (VHIS) and Qualifying Deferred Annuity Policy (QDAP) products. It will continue to pursue this strategy to further strengthen sales. In addition, YF Life will continue to optimise its product mix through promotion of products with higher margins such as refundable critical illness policies. To further improve the information capacity and promote the usage of digital platforms, YF Life has been actively developing virtual face-to-face solicitation tools (SMART) to extend such kinds of activities to most of its flagship products and it will continue to enhance the online customer servicing tool "YF LINK" so as to provide a better user experience.

For asset management business, in 2020, the Company's asset management business achieved growth in both business size and revenue. A total of 393 public funds from 21 fund companies have been launched on Youyu Wealth. Regarding products and special accounts, the assets under management comprised two funds of funds, one note product, one project fund and one discretionary fund account. In addition, the Company took advantages of market opportunities to make proprietary investments in high quality equity projects and Chinese USD bonds, which have generated satisfactory returns. To seize market opportunities, the Company will, on one hand, strengthen the cooperation between Youyu Wealth and other channels to increase the sales of equity-based funds, and on the other hand, enhance the research and selection of funds to enhance the competitiveness of fund products on the Company's platform. In respect of asset management products and special accounts, the Asset Management Department will continue to strengthen and deepen cooperation with other departments of the Group and external parties, launch asset management products with "Yunfeng characteristics" and strategically provide overseas high-quality asset management products targeted at high-net-worth, ultra-high-net-worth and corporate clients in order to contribute to the brand building of Yunfeng in overseas markets.

For brokerage business, in 2020, the Company successfully implemented its To-C strategy, with multiple growth in the number of customers opening new accounts, the number of eligible customers and the number of active customers. The Company closely followed all popular trends in the IPO subscription market since the beginning of the year and increased the overall limits for IPO financing available to its customers. With respect to improvement in user experience, online procedures for bank-to-securities transfers were launched, which effectively improved the efficiency of bank-to-securities transfers and lowered error rate. The Company also launched FPS as a new cash deposit method, improving the efficiency of cash deposit. In addition to providing quality trading services, the Company will continue to fully enhance user experience in conducting online transactions and leveraging the advantage of access to capital for financial institutions, fully explore the needs of customers including margin financing while broadening the customer base. The Company will expedite the integration of the Group's ecosystem by strengthening the interaction and integration of its brokerage business with other business segments amid the rapid development of the Guangdong-Hong Kong-Macao Greater Bay Area.

For employee stock ownership plan administration (ESOP) business, in 2020, the Company successfully signed contracts with a number of listed companies and provided them with professional share incentive scheme management services. Besides, it helped clients improve management efficiency and reduce costs through the exclusive "Youyu eKeeper" platform. Over the year, the number of users of the platform has grown steadily and the related securities trading income as well as the asset management scale have also shown notable growth. In addition, the Company further expanded its customer resources for future business by entering into cooperation agreements with various renowned trust companies and actively establishing partnerships with different channels. Given the keen competition in the market, the Company will focus on system optimisation, providing more customised features, standardizing and reducing manual processes and operating costs and further strengthening flow of business from employees by creating a one-stop automated all-process management system. In terms of business development, the Company will continue to actively explore new channels to realise long-term cooperation and provide business support to increase business referral opportunities.

For the financial technology business, since its establishment in early 2019, the business of the Financial Technology Department of Yunfeng Financial Group has been steady. While maintaining the services provided to existing external clients, the Company restated its positioning as a technology services provider to support the Group's businesses and managed to concurrently execute internal and external projects. The Company will continue to apply technology to insurance, brokerage, fund and corresponding marketing strategies to support the Group's business development. It will launch "Yunfeng Youyu" online products and undertake continuous upgrade of their core functions. The Company will also commence the design and development of account opening, approval and information management systems to improve user experience and enhance work efficiency of the customer services and further build up our capacities on internal project management and operation and data management.

For the investment research business, in 2020, the Company completed repositioning of its investment research business, changing the focus from operation of an official public account to asset investment research, primarily on four major research business sectors covering major asset classes allocation research, Hong Kong equities strategy research, Chinese USD bonds research and real estate research. Regarding the outlook in 2021, the Company will promote the implementation of a comprehensive investment-oriented asset investment research system and further refine the research areas and emphases, so as to enhance its investment research capability. For Hong Kong equities, the investment research will be extended to key industries and individual stocks to strengthen the investment research capability for IPO targets, which is in turn conducive to building investment portfolios. In respect of USD bonds and real estate research, it will broaden the credit coverage of real estate targets, strengthen the daily dynamic tracking of USD bonds and provide rapid feedbacks and in-depth analyses on industry hotspots.

Looking ahead, the pace of global economic recovery will depend on the degree of the Covid-19 vaccine rollouts and the effectiveness of stimulus policies introduced by governments of all major markets. At the same time, the Group will prudently monitor the impacts of such macroeconomic factors as the relations between the United States and China and the geopolitical environment on the execution of its business development plans. The Group will continue to focus on implementing its strategic plan to capture growth opportunities in the life and health insurance and wealth management markets in the Guangdong-Hong Kong-Macao Greater Bay Area with a view to successfully transforming itself into a comprehensive one-stop financial services provider offering high-quality online and offline insurance and wealth management solutions to our customers.

Finally, we would like to express our sincere gratitude to our Shareholders, business partners and customers for their continued support and trust on us.

Management Discussion and Analysis

Overview

During the Year, Hong Kong's economy was affected by, amongst others, the global trade conflict and the outbreak of COVID-19 and financial markets continued to face uncertainties and challenges. Despite this difficult period, the Company has remained steadfast in providing its customers with comprehensive insurance and financial services, while maintaining business operation and development. At the same time, China's economy has first shown significant signs of recovery amid the global pandemic. The Group will take this opportunity to achieve breakthroughs and sustainable development in its business.

The Group's sources of revenue includes 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, brokerage commission income and corporate advisory fee income etc. For the Year, the Group's revenue amounted to HK$7,763 million, representing an increase of 28% compared to that of HK$6,044 million for the year 2019. The revenue included HK$7,723 million premiums and fee income, representing an increase of 28% compared to that of HK$6,016 million for the year 2019, and HK$39 million of income from other financial services, representing an increase of 39% compared to that of HK$28 million for the year 2019. The adjusted operating profit is approximately HK$832 million, representing an increase of 16% compared to that of HK$716 million for the year 2019. The Group's consolidated profit amounted to HK$949 million, representing an increase of 54% compared to that of HK$615 million for the year 2019. The net profit attributable to equity shareholders of the Company amounted to HK$618 million, representing an increase of 141% compared to that of HK$256 million for the year 2019. The improvement of the Group's results is mainly due to satisfactory performance of insurance business, the improvement in the operation of non-insurance businesses, and the significant increase in realised gains from equity investments.

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	*2020*	*2019*	*Change %*
Premiums and fee income	7,723	6,016	28
Profit after taxation	949	615	54
Net profit attributable to the owners	618	256	141
Basic earnings per share (HK$) (Note 1)	0.186	0.080	133
Final dividend proposed per share	-	-	

At 31 December, HK$ million

	2020	*2019*	*Change %*
Total assets	87,553	75,327	16
Total equity	19,342	15,463	25
Owner’s equity	13,381	10,103	32
Owner’s equity per share (HK$) (Note 2)	3.46	3.13	11

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

	2020	*2019*	*Change %*
YF Life segment operating profit	962	850	13
Other financial services and corporate segment operating loss	(130)	(134)	(3)
Total operating profit	832	716	16
Adjust for the following profit or loss and expenses impact:			
- Investment income from disposal, fair value changes of risk hedging derivatives and fair value change and impairment of certain investments	245	(82)	NA
- Staff share award amortisation expense	12	7	71
- Legal and professional fee and other expenses for acquisition of YF Life	(8)	(46)	(83)
- Finance cost (Note 1)	(132)	(69)	91
- One-off adjustments (Note 2)	(4)	(1)	3 times
- Consolidation adjustments (Note 3)	4	90	(96)
Profit for the year	949	615	54
Less: non-controlling interests	(331)	(359)	(8)
Net profit attributable to the owners	618	256	141

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.

Note 4: Certain comparative figure is restated based on the finalised purchase price allocation of prior year acquisition of YF Life.

Changes in owner's equity

HK$ million	*2020*	*2019*
Balance at 1 January	15,463	15,354
Adoption of new accounting standard	-	(11)
Share based payment transaction	(12)	(7)
Issue of subscription shares	2,044	-
Acquisition of and capital injection to YF Life	-	328
Acquisition of additional interest in YF Life	-	(1,561)
Profit for the year	949	615
Other comprehensive income and others	898	745
Balance at 31 December	19,342	15,463
Attributable to:		
- equity shareholders of the Company	13,381	10,103
- non-controlling interests	5,961	5,360
Total equity	19,342	15,463

The Group's total shareholders' equity amounted to approximately HK$19,342 million as at 31 December 2020 as compared to the total shareholders' equity of HK$15,463 million reported at the end of last year. The increase is mainly due to the improvement of operating result for the year and the completion of issue of subscription share of HK$2,044 million.

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 2020, 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 Macau through a branch office and is licensed to sell life insurance products in Macau.

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 2", a flexible insurance savings plan allowing customers to accumulate capital with potentially higher return; and (iv) the "PrimeHealth" series which are critical illness products covering a wide range of illnesses.

The tied agency force consisted of approximately 3,409 (2019: 2,973) agents in Hong Kong and Macau as of 31 December 2020. 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 2020, the insurance business division has approximately 510 (2019: 442) employees and more than 506,000 (2019: 491,000) in-force individual policies.

During 2020, 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 strengthen partnering relationships with existing banks and financial institutions. Furthermore, our insurance division has been exploring to re-formulate overall strategy of online sales channel.

In addition, our insurance division aim to optimise product mix by developing and promoting products with higher margins, such as refundable critical illness products. To further improve the information capability and usage of digital platforms to match the preferences of potential and existing customers, our insurance division is actively developing virtual-face-to-face solicitation tools and continues to enhance online customer servicing tool.

Future development in the insurance business

In the year 2021 and coming years, our Group will continue to optimise the product mix through promotion of products with higher margins such as refundable critical illness policies. To further improve the information capability and usage of digital platforms to match the preferences of potential and existing customers, the insurance division has been developing virtual-face-to-face solicitation tools to extend such kinds of activities to most of our flagship products and continues to enhance the online customer servicing tool "YF LINK".

Total premium and fee income

Total premium and fee income ("TPI") measures its business volumes by referring to the total TPI reported under the Insurance Ordinance ("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	
	2020	*2019*
	HK$ million	HK$ million
Total premium and fee income reported under IO	10,329	8,881
Less: Premium deposits separated out from insurance contracts and recognition of fee income	(2,604)	(2,863)
Premium and fee income recognized in the income statements under HKFRS	7,725	6,018

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			
	2020		*2019*	
	HK$ million	%	HK$ million	%
Hong Kong	7,179	70	7,007	79
Macau	3,150	30	1,874	21
	10,329	100	8,881	100

(ii) By distribution channel

	For the year ended 31 December					
	2020 HK$ million			*2019* HK$ million		
	Hong Kong	*Macau*	*Total*	*Hong Kong*	*Macau*	*Total*
Tied agency	4,307	1,136	5,443	4,099	1,091	5,190
Brokers and non-tied agency	2,289	151	2,440	2,370	22	2,392
Banks and other financial institution	583	1,863	2,446	538	761	1,299
	7,179	3,150	10,329	7,007	1,874	8,881

(iii) By product type

	For the year ended 31 December					
	2020 HK$ million			*2019* HK$ million		
	Hong Kong	*Macau*	*Total*	*Hong Kong*	*Macau*	*Total*
Regular premium - First year	763	1,381	2,144	1,336	892	2,228
Regular premium-Renewal	6,140	1,702	7,842	5,274	933	6,207
Single premium	273	65	338	394	48	442
Fee income	3	2	5	3	1	4
	7,179	3,150	10,329	7,007	1,874	8,881

<u>Embedded value and value of new business</u>

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 2020 is HK$15,736 million (31 December 2019: HK$16,351 million) with breakdown as below.

HK$ million

	31 December 2020	*31 December 2019*	*Change %*
Adjusted Net Worth ("ANW") (note 1)	4,724	5,989	(21)
Value of in-force ("VIF") business after CoC (note 2)	11,012	10,362	6
Embedded value	15,736	16,351	(4)

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 driven by increase in liabilities arising from market interest rate drop.

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 growth is driven by new business acquired and favourable actual experience, partly offset by future economic assumption update.

For further detailed discussion and movement analysis of embedded value of insurance business from 31 December 2019 to 31 December 2020, 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:

	2020 HK$ million	*2019* HK$ million	*Change %*
Income			
Premiums and fee income (note a)	7,725	6,018	28
Premiums ceded to reinsurer (note a)	(2,935)	(1,948)	51
Net premium and fee income	4,790	4,070	18
Change in unearned revenue liability	(214)	(651)	(67)
Net earned premium and fee income	4,576	3,419	34
Net investment and other income (note b)	6,103	4,676	31
Reinsurance commission and profit	97	78	24
Benefits, losses and expenses			
Net policyholders benefit (note c)	3,273	3,197	2
Commission and related expenses	1,351	1,205	12
Deferral and amortisation of deferred acquisition costs (note d)	(437)	(853)	(49)
Management and other expenses	754	736	2
Change in future policyholder benefits (note e)	4,695	3,038	55
Profit before taxation	1,140	850	34
Taxation	50	49	2
Profit after taxation	1,090	801	36

Note a: The increase of the balance mainly arises from the newly launched short-term endowment product, other new business and natural growth of in-force portfolio.

Note b: The balance includes net investment and other income, interest income from bank deposits and other operating income.

Note c: The balance includes net claims, policy benefits and surrenders, interest credited to policyholders' deposits and dividends to policyholders.

Note d: The balance decreases due to higher amortisation.

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 the newly launched short-term endowment product, other new business and natural growth of inforce 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 13% to HK962 million and 36% to HK$1.09 billion respectively.

	2020 HK$ million	*2019* HK$ million	*Change %*
Operating profit (note 1)	962	850	13
Adjust for the following profit or loss and expenses impact:			
- Realised capital gain/(loss) and short-term derivatives market value fluctuation and impairment loss on investment	128	(49)	NA
Profit for the year	1,090	801	36

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	
	2020 HK$ million	*2019* HK$ million
Investments	62,357	54,187
Cash and deposit	1,878	2,253
Deferred acquisition costs	5,998	8,208
Other assets	6,602	4,170
Total assets	76,835	68,818
Insurance contract provisions	54,287	47,957
Investment contract liabilities	4,529	4,613
Other payable	3,262	3,382
Total liabilities	62,078	55,952
Net assets	14,757	12,866

Investment assets

The table below sets forth the asset allocation of the investment portfolio of the insurance division based on the classification in conformity with the reports provided to the management of the Company to measure the performance of the investment portfolio which can be reconciled to total investments carrying amount in above table for the years ended 31 December 2020 and 2019.

	As at 31 December	
	2020	*2019*
	HK$ million	HK$ million
Debt securities	45,967	38,370
Mortgage loans	6,547	7,023
Equity securities	1,887	1,332
Cash for investment	515	1,082
	54,916	47,807
Unit trusts and investment policyholder plans related securities	7,915	7,150
	62,831	54,957

Note: Certain comparatives have been adjusted to conform with current year end presentation.

As at 31 December 2020, 91.7% (2019: 93%) of the debt securities invested have Standard and Poor's rating of BBB- or above or equivalent rating from other reputable rating agencies.

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

	For the year ended 31 December	
	2020	*2019*
	HK$ million	HK$ million
Interest income and others	1,974	1,703
Dividend income	166	151

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	
	2020	*2019*
Market position/share (by regular premium income)	12th/1.6%	12th/1.5%
Number of employees		
- *Hong Kong*	486	421
- *Macau*	24	21
Number of tied agents		
- *Hong Kong*	2,373	2,003
- *Macau*	1,036	970
Number of brokers and non-tied agents	527	502
Number of bancassurance partners	6	5
MDRT qualifiers *(Note 1)*	356	178
Expenses ratio *(Note 2)*	7.3%	8.4%

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 TPI.

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 Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) ("IO"), as the case may be, as it may be amended from time to time,, and its subsidiary legislation and based on standards required by the IO and methodology consistently applied by our insurance division.

	As at 31 December	
	2020	*2019*
	HK$ million	HK$ million
Total available capital	6,868	6,801
Regulatory minimum capital	2,384	2,083
Solvency Ratio	288%	326%

The solvency ratio was 288% at 31 December 2020, down by 38% from 326% at 31 December 2019. The lower solvency ratio was driven by increase in liabilities arising from market interest rate drop.

<u>Other businesses review</u>

Brokerage Business

During 2020, the turnover of brokerage business amounted to HK$20,490 million (2019: HK$9,875 million), representing an increase of 107%. The brokerage team closely followed all popular trends in the IPO subscription market since the beginning of the year, increased the overall limits for IPO financing available to its customers, utilised external funds to provide margin financing facilities reserved for customers with large subscription amounts in selected IPOs, and allocate more resources from operating activities to the provision of IPO financing for IPO subscription activities. With respect to improvement in user experience, online procedures were introduced to improve the efficiency of funding transfers and lowered error rate. Going forward, the brokerage division will develop business in the following aspects according to the Company's To-C strategy: 1) riding on the launch of super APP and focusing on IPO subscriptions, the division will respond to and resolve issues encountered by customers on a timely and orderly basis to fully enhance user experience in conducting online transactions; 2) leveraging the advantage of access to capital for financial institutions, the division will fully explore the needs of customers including margin financing while broadening the customer base; and 3) the division will contribute to the acceleration of the integration of the Group's ecosystem.

Employee Stock Ownership Plan Administration

In 2020, the Employee Stock Ownership Plan Administration ("ESOP") division successfully signed contracts with a number of listed companies and provided them with professional share incentive scheme management services. Besides, it helped clients improve management efficiency and reduce costs through the exclusive "Youyu eKeeper" platform. The number of users of the platform has grown steadily and the related securities trading income as well as the asset management scale have also shown notable growth. Going forward, the ESOP division will focus on system optimisation, providing more customised features and standardising, streamlining and automating internal procedures to reduce manual processes and operating costs. Moreover, it will further strengthen flow of business from employees by creating a one-stop automated all-process management system and continue to strengthen origination of new business and cooperation with existing channels, actively explore new channels to realise long-term cooperation.

Fintech

In 2020, the Fintech Business Department was established to formulate solutions for different financial institutions. During the Year, our Fintech division has successfully implemented an internal project management system to enhance efficiency of project execution and quality of deliverables while achieved cost saving. Going forward, our Fintech team will leverage on the existing expertise and efficiently apply technology to insurance, brokerage, fund and corresponding marketing strategies to support the Group's business development and launch "Yunfeng Youyu" online products and achieve continuous upgrade of their core functions to bring user experience up to the middle to upper market level.

Asset Management

In 2020, the Group's asset management business continued to enhance its existing advantages in overseas asset allocation. Going forward, although the real economy will remain relatively fragile, the global stock indexes have repeatedly reached new highs amid massive liquidity in capital markets. To seize market opportunities, the asset management division will, on one hand, strengthen the cooperation between Youyu Wealth and other channels to increase the sales of equity-based funds, and on the other hand, enhance the research and selection of funds to enhance the competitiveness of fund products on our platform. In respect of asset management products and special accounts, the asset management division will continue to strengthen and deepen cooperation with the Group and external parties, launch asset management products with "Yunfeng characteristics" and strategically provide overseas high-quality asset management products targeted at high-net-worth, ultra-high-net-worth and corporate clients in order to contribute to the brand building of Yunfeng in overseas markets.

Prospects

Looking ahead, the pace of global economic recovery will depend on the degree of the Covid-19 vaccine rollouts and the effectiveness of stimulus policies introduced by governments of all major markets. At the same time, the Group will prudently monitor the continuing impacts of such factors as the heightened tensions between the United States and China, the higher geopolitical risks and the uncertain macroeconomic environment on the execution of its business development plans. The Group will continue to focus on implementing its strategic plan to capture growth opportunities in the life and health insurance and wealth management markets in the Guangdong-Hong Kong-Macao Greater Bay Area with a view to successfully transforming itself into a comprehensive one-stop financial services provider offering high-quality online and offline insurance and wealth management solutions to our customers.

Liquidity and Financial Resources

As at 31 December 2020, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK$4,293 million (2019: HK$2,555 million). As at 31 December 2020, the Group has HK$1,554 million (2019: HK$1,499 million) bank borrowing outstanding and HK$1,641 million (2019: HK$1,561 million) shareholder's loan outstanding. The Group's gearing ratio as at 31 December 2020 is 14.18% (2019: 16.52%), 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 2020, 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 also 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 were priced. 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.

(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 2020.

Charges on Assets

At the year ended December 2020, the Group did not have any charges on assets, other than a security deposit of HK$150,000 (2019: HK$300,000) for banking facilities and HK$7,985,059,000 (2019: HK$5,609,487,000) of investment together with HK$309,648,000 (2019: HK$259,250,000) 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

The Group did not have any significant contingent liabilities as at 31 December 2020.

Staffing and Remunerations

As at 31 December 2020, the Group employed 708 (2019: 654) full time employees, 553 (2019: 485) of which were located in Hong Kong, 24 (2019: 21) in Macau and 131 (2019: 148) 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.

Fund raising activities and connected transaction conducted during the year

As disclosed in the circular issued by the Company dated 21 September 2020 (the "Circular"), the Company entered into subscription agreements on 7 September 2020 with 1) Jade Passion in relation to the subscription of 484,665,279 ordinary shares of the Company at the subscription price of HK$3.17 per ordinary share (the net price is approximately HK$3.165 per share after the deduction of the related expense) and 2) MMI in relation to the subscription of 160,000,000 ordinary shares of the Company at the Subscription Price of HK$3.17 per ordinary share (the net price is approximately HK$3.165 per share after the deduction of the related expense) (together refer to "Issue"). The market price of the Company's ordinary share on 7 September 2020 was HK$3.37. As both Jade Passion and MMI are substantial shareholders, they are connected persons of the Company. Accordingly, the entering into of the subscription agreements and the transactions contemplated thereunder constituted connected transactions under Chapter 14A of the Listing Rules. The total consideration for the Issue was HK$2,043,588,934 settled by cash. With its vision, the Group intends to utilise financial technology services to further establish a financial services ecosystem and provide a wide range of financial services and products. The directors considered that the Issue strengthened the Group's capital base and enhance the Group's financial capabilities, which would be beneficial to further optimizing the Group's existing business and financial conditions and achieve the goal to diversify the development of the Group's business. The Group would continue to focus on the development of existing business, and actively seek and develop new growth points, including but not limited to, the establishment and acquisition of projects which could create synergy effect with the existing business and diversification of the Group's business.

The subscription of ordinary shares has been completed and total proceed of HK$2,043,588,934 was received on 29 October 2020. After the completion, Jade Passion held 1,827,641,279 representing 47.25% of total issued ordinary share of the Company and MMI held 960,000,000 representing 24.82% of total issued ordinary share of the Company.

Use of net proceeds from subscription shares

<u>Subscription agreement dated 7 May 2015</u>

The unutilized proceeds of HK$120.9 million up to 31 December 2019 from the share subscription agreements dated 7 May 2015 have been fully utilised during the year for the establishment of a private wealth management platform and the development of a financial services ecosystem purposes. Such usage is in accordance with the intended use as set out under the section "Use of Proceeds" of the Company's circular dated 18 August 2015, the subsequent adjustment in use of proceeds as set out in the announcement of the Company dated 18 October 2016 and the interim report of the Company dated 29 August 2019.

<u>Subscription agreements dated 7 September 2020</u>

For the proceeds from subscription shares have been utilised subsequent to the subscription as set out under the section "Use of Proceeds" of the Company's Circular, the table below sets out the proposed application of net proceeds and usage up to 31 December 2020:

	Use of Proceeds HK$ million	*Actual usage from 29 October 2020 to 31 December 2020* HK$ million	*Unutilised Proceeds up to 31 December 2020* HK$ million	*Expected timeline for utilising the remaining net proceeds*
Strategic investment *(note 1)*	1,224.6	-	1,224.6	Expected to be fully utilised on or before Dec 31,2023
Asset management business *(note 2)*	306.1	(23.4)	282.7	Expected to be fully utilised on or before Dec 31,2023
Securities brokerage business *(note 3)*	306.2	(284.1)	22.1	Expected to be fully utilised on or before Dec 31,2021
Working Capital *(note 4)*	204.1	(37.9)	166.2	Expected to be fully utilised on or before Dec 31,2022
Total:	2,041.0	(345.4)	1,695.6	

Notes:

1. mainly utilised on potential strategic investment for business diversification and enhancement.

2. mainly utilised on asset management platform will launch 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 ("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 2020 is consistent with industry practice for publicly listed 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 2020. Cost of Capital is the difference between the amount of required capital as at 31 December 2020 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, ie 1 January 2020 to 31 December 2020.

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 2020 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 2020 to 31 December 2020.

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 2020 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 2020 HK$ million	*31 December 2019* HK$ million
Adjusted Net Worth	4,724	5,989
Value of in-force business before cost of capital	13,287	12,386
Cost of capital	(2,275)	(2,024)
Embedded value	15,736	16,351
Attributable to:		
Owners of the Company	10,984	11,413
Non-controlling interests	4,752	4,938
Embedded value	15,736	16,351

5.2 New Business value

	For the past 12 months as of 31 December 2020 HK$ million	*For the past 12 months as of 31 December 2019* HK$ million
New Business Value before cost of capital	668	630
Cost of capital	(127)	(107)
New Business Value after cost of capital	541	523

5.3 Movement analysis of embedded value

	Notes	*2020* HK$ million
Embedded Value as at 1 January		16,351
New business value	a	541
Expected return on Embedded value	b	1,342
Assumption and model changes	c	(2,375)
Investment return variance	d	152
Other experience variance and exchange rate impact	e	(275)
Embedded Value as at 31 December		15,736

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 2020, and 9% for 31 December 2019, respectively, 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 2020. 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 2020.

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 is modelled based on reinsurance contract terms. The cost of surplus reinsurance contract is not material and has not been explicitly modelled, but reflected in the margins added to the mortality and morbidity rates.

5.5 Sensitivity testing

We performed sensitivity analysis on the value of in-force business and the new business value as at 31 December 2020, 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 2020 Assumptions	*Value of in-force business after cost of capital* HK$ million	*New business value after cost of capital* HK$ million
Base scenario	11,012	541
New money yields increased by 100 basis points per annum	12,178	680
New money yields decreased by 100 basis points per annum	8,146	403
Risk discount rate increased by 50 basis points	10,145	476
Risk discount rate decreased by 50 basis points	11,972	613
10% increase in lapse rate and skip premium rates	11,009	535
10% decrease in lapse rate and skip premium rates	11,026	548
10% increase in mortality and morbidity rates and loss ratios	10,038	462
10% decrease in mortality and morbidity rates and loss ratios	11,998	621
10% increase in acquisition and maintenance expenses	10,858	510
10% decrease in acquisition and maintenance expenses	11,167	572

Biographical Details of Directors and Senior Management

Chairman

Mr. Yu Feng, aged 57, 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 Directors

Mr. Zhang Ke, aged 56, was appointed as executive director, vice chairman and chief executive officer in October 2020. Mr. Zhang is a partner of Yunfeng Capital. He was the chief strategy consultant of China Taiping Insurance Group Limited, vice chairman of Taiping Life Insurance Limited ("Taiping Life"), chairman of Taiping Poly Investment Management Co., Ltd., director of Shanghai Rural Commercial Bank Co. Ltd., the secretary of the party committee, director and general manager of Taiping Life, general manager of Taiping General Insurance Co., Ltd. Mr. Zhang is the vice-president of the Insurance Association of China, chairman of China Insurance Marketing Elite Alliance Council ("中國保險營銷精英聯盟理事會"), global international director of LIMRA-LOMA, a full member of Geneva Association, part-time visiting professor of Sichuan University and is a senior financial manager.

Mr. Zhang obtained a doctoral degree in economics from Sichuan University in December 2006 and a bachelor's degree in philosophy from Sichuan University in July 1985.

Mr. Huang Xin, aged 45, was appointed as an executive Director and a member of the Remuneration Committee in November 2015. 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 is currently a director of Sanxiang Impression Co., Ltd (stock code: 000863) which is listed on the Shenzhen Stock Exchange and a director of YTO Express Group Co., Ltd (stock code: 600233) which is listed on the Shanghai Stock Exchange. Mr. Huang is a director of Jade Passion, a substantial shareholder of the Company.

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.

Ms. Hai Olivia Ou, aged 41, 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. 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.

Non-Executive Directors

Mr. Adnan Omar Ahmed, aged 54, 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 a non-executive director on the board of Nippon Wealth Insurance in Japan, a subsidiary of Nippon Life. He 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. Prior to the current board directorship, 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 52, 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.

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.

Independent Non-Executive Directors

Mr. Qi Daqing, aged 56, 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.

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), SinoMedia Holding Limited (stock code: 00623) and Jutal Offshore Oil Services Limited (stock code: 03303), 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, and 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. 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 72, 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 degree in commerce from University of British Columbia and was a member of the Chartered Professional Accountants of Canada.

Mr. Xiao Feng, aged 59, 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.

Senior Management

Ms. Dai Shuyan, aged 44, joined the Group in November 2020, is the Senior Managing Director of the Group. Ms. Dai has over 18 years of experience in insurance industry and team management. Before joining the group, Ms. Dai was the chief actuary and deputy general manager at Taiping General Insurance Co., Ltd., also she worked in China Taiping Insurance Group Limited ("China Taiping") as deputy general manager of marketing department and general manager of business management department.

Ms. Dai graduated from Central University of Finance and Economics with master's degree in finance and received a bachelor's degree in international finance from Dalian University of Technology. She is also an associate member of China Association of Actuaries and Institute and Faculty of Actuaries.

Mr. Chan Man Ko, aged 46, joined the Group in November 2015, is the Chief Financial Officer, Company Secretary and a Senior Managing Director of the Group, and the executive director and senior vice president of YF Life. Before joining the Group, Mr. Chan was the deputy general manager of finance department of China Taiping and had served several positions including chief financial officer and company secretary in China Taiping Insurance Holdings Company Limited (a company listed on the Stock Exchange, stock code: 00966), the subsidiary of China Taiping for over 11 years. Prior to this, he worked for Deloitte Touche Tohmatsu for 7 years.

Mr. Chan is an associate member of Institute of Chartered Accountants in England and Wales, and associate member and practicing member of Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Board of Yunfeng Financial Group Limited 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 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 complied with the applicable code provisions of the CG Code, except for the following deviation which is summarised below:

Code Provision A.4.1

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from this provision because the non-executive Directors and independent non-executive Directors do not currently have specific terms of appointment. However, the articles of association of the Company states that 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. As such, the Board considers that sufficient measures have been put in place to ensure that the Company's corporate governance practice in this aspect provides sufficient protection for the interests of Shareholders to a standard commensurate with that of the CG Code.

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 strategies, policies and business plans, regulating and reviewing risk management and internal control systems, formulating the Group's corporate governance policy, and supervising the management of the business operations of the Group to ensure that its business objectives are met. The Board also ensures adequacy of resources, qualifications and experience of the Board members. The senior management of the Group is responsible for the day-to-day operations of the Group and accountable to the Board.

The Board has a balance of skills and experience appropriate for 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. Zhang Ke (Vice Chairman and Chief Executive Officer)
Mr. Huang Xin
Ms. Hai Olivia Ou

Non-executive Directors

Mr. Adnan Omar Ahmed
Mr. Michael James O'Connor

Independent non-executive Directors

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

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.

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 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 2020 and the Company considers that they are independent.

The roles of the Chairman 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 setting strategic targets, providing leadership to the Board, monitoring Board effectiveness and fostering constructive relationship between Directors. The CEO, Mr. Zhang Ke, is responsible for managing the business of the Group, attending to the formulation and implementation of Group's policies, and assuming full accountability for the Group's operations.

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. During the Year, a total of 7 Board meetings and 2 general meetings, including an annual general meeting and an extraordinary general meeting were held and the attendance of each Director is set out below:

	Number of meetings attended in the year ended 31 December 2020 / Number of meetings eligible to attend					
	Board	NC	RC	AC	AGM	EGM
Chairman						
Mr. Yu Feng (non-executive Director)	7/7	2/2	-	-	1/1	1/1
Executive Directors						
Mr. Huang Xin	7/7	-	3/3	-	1/1	1/1
Ms. Hai Olivia Ou (re-designated as executive Director on 23 February 2020)	7/7	-	-	-	1/1	1/1
Ms. Li Ting (resigned on 23 February 2020)	-	-	-	-	-	-
Mr. Zhang Ke (appointed on 8 October 2020)	1/1	-	-	-	-	1/1
Non-executive Directors						
Mr. Adnan Omar Ahmed	7/7	-	-	-	0/1	1/1
Mr. Gareth Ross (resigned on 27 March 2020)	0/2	-	-	-	-	-
Mr. Michael James O'Connor (appointed on 27 March 2020)	5/5	-	-	-	0/1	0/1
Independent non-executive Directors						
Mr. Qi Daqing	7/7	2/2	3/3	2/2	1/1	1/1
Mr. Chu Chung Yue, Howard	7/7	2/2	3/3	2/2	1/1	1/1
Mr. Xiao Feng	6/7	1/2	2/3	2/2	1/1	1/1

Note:

NC – Nomination Committee
RC – Remuneration Committee
AC – Audit Committee
AGM – annual general meeting held on 19 June 2020
EGM – extraordinary general meeting held on 9 October 2020

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

Professional Training for Directors

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	**Training on corporate governance, regulatory development and other relevant topics**
Chairman	
Mr. Yu Feng (non-executive Director)	✓
Executive Directors	
Mr. Zhang Ke (appointed on 08 October 2020)	✓
Mr. Huang Xin	✓
Ms. Hai Olivia Ou (re-designated as executive Director on 23 February 2020)	✓
Ms. Li Ting (resigned on 23 February 2020)	N/A
Non-executive Directors	
Mr. Adnan Omar Ahmed	✓
Mr. Michael James O'Connor (appointed on 27 March 2020)	✓
Mr. Gareth Ross (resigned on 27 March 2020)	N/A
Independent non-executive Directors	
Mr. Qi Daqing	✓
Mr. Chu Chung Yue, Howard	✓
Mr. Xiao Feng	✓

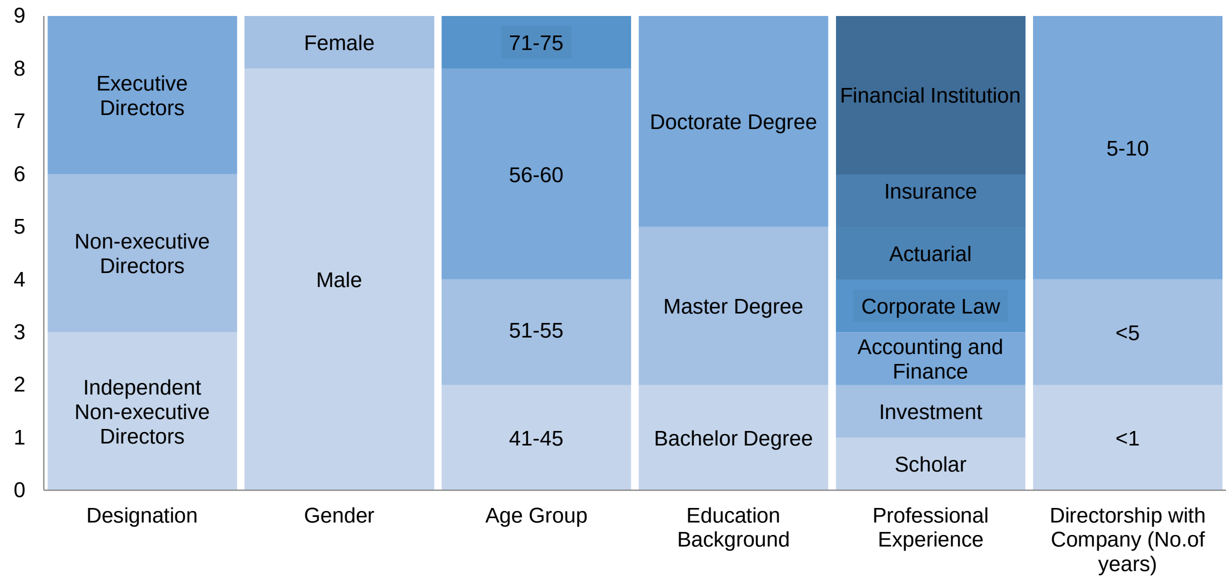
Board Diversity Policy

The Company has adopted a board diversity policy in October 2013 (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; enhancing good corporate governance and reputation; and attracting and retaining 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 said policy. The Board will review the policy from time to time to ensure that the Board Diversity Policy is complied with.

A copy of the Board Diversity Policy is published on the Company's website for public information.

Board Committees

Regarding the corporate governance function, during the year ended 31 December 2020, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, corporate governance policies and practices and the 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 B.1.2(c)(ii) was adopted by the Remuneration Committee.

During the Year, the Remuneration Committee held 3 meetings. The Remuneration Committee reviewed the remuneration packages for Directors and senior management of the Group by assessing their performance and with reference to their expected duties and responsibilities and the current market condition and made recommendation to the Board.

Details of the remuneration of the Directors during the Year are set out in note 13 to the financial statements. The remuneration of the senior management during the Year falls within the following bands:

	Number of Individual
HK$2,000,001 – HK$3,000,000	1
HK$4,000,001 – HK$5,000,000	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 2 meetings. The Nomination Committee considered the appointment of Mr. Zhang Ke as an executive Director, vice chairman and chief executive officer, Mr. Michael James O'Connor as a non-executive Director and 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, independent mind and ability to commit time etc, and made recommendation to the Board for approval. The Nomination Committee also reviewed the structure of the Board and the Board Diversity Policy.

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.

Auditor's Remuneration

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

Nature of services	31 December 2020	31 December 2019
	HK$'000	HK$'000
Audit services	10,579	10,562
Non-audit services	738	767
Total	11,317	11,329

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.

The statement of the auditor of the Company on their responsibilities on the financial statements is set out in the Independent Auditor's Report of this announcement.

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 (insurance business) level as well as the Group level, and has built a comprehensive system for which the Board has ultimate responsibilities, and the risk management and internal control systems covering all business lines are supervised directly by the management and supported by relevant professional committees with close cooperation of all business functions.

Organisation

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

The board of directors of the main subsidiary of the Group (insurance business) (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 of the Group ("Management of Subsidiary"). 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 of the Group 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 and Management 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 annually. 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.

In 2020, 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.

During the Year, 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. Various risks were identified, monitored and reported by risk management function, legal function and compliance function. Corresponding measures against those risks were implemented. In 2020, 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 of the Group (insurance business), 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.

The Risk Management and Internal Control Reports were presented to the Audit Committee of the Board for review in March 2021 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.

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 decide about 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 Board, 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:

Suites 3201-3204, One Exchange Square, 8 Connaught Place, Central, 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 Board is committed to providing clear and full performance information of the Group to the Shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to the Shareholders, additional information of the Group is also available to the Shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. 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 are no changes 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, 26 March 2021

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements for the year ended 31 December 2020.

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 in this announcement. An analysis of the Group's performance during the Year using financial key performance indictors is also provided in MD&A in 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 report.

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.

Insurance risks

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

Market risks

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

Currency exchange risks

For the main subsidiary of the Group (insurance business) (the "Main Subsidiary"), the currency exchange risk is mainly related to certain insurance policies that are not denominated in United States (U.S.) dollars. However, most of the insurance policies are denominated in U.S. dollars. As the Main Subsidiary 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 2020, HKD liabilities were closely hedged by currency swaps and forward contracts and HKD bond.

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 of the Group 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 upcoming 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 Group's stock margin business has been carried out smoothly by the end of the year, and it has been significantly improved when compared with that in 2019. 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. Considering the resilience of the business to counterparty default events, the credit risk exposure is maintained within acceptable levels.

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 2020, 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.

The cyber risk was monitored and the risk management and internal control report in year 2020 showed that the number of incidents was stable and manageable. There was no cyber issue to be alerted.

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 (2019: 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 2020 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

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 21 July 2011 (the "Share Option Scheme") which has a life of 10 years from the date of adoption. The remaining life of the Share Option Scheme is approximately 1 year.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants (being any employee (whether full-time or part-time), Directors or consultants of each member of the Group, provided that the board of Directors may have absolute discretion to determine whether or not one falls within the above category) and for such other purposes as the Board may approve from time to time.

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.

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. 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 solely determined by the Board and notified to a participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange daily quotation sheet on the date on which the option is offered to a participant, which must be a trading day; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (c) the nominal value of a share.

According to the Share Option Scheme, unless otherwise determined by the Board, there shall be no minimum holding period for the exercise of the options but the options are exercisable within the option period as determined by the Board and in any event such period shall not be longer than 10 years from the date upon which any particular option is granted.

The total number of share option that could be granted was 38,449,452, representing approximately 10% of the total issued shares of the Company on the date of passing the resolution to refresh the Share Option Scheme limit at the annual general meeting on 26 March 2012.

As at the date of this report, the total number of share option that can be granted was 27,954,040, representing approximately 0.72% of the total issued shares of the Company.

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 respectively on 30 October 2014 (the "2014 Share Award Scheme") and on 12 December 2016 (the "2016 Share Award Scheme").

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. 322,332,639 Shares, representing 8.33% of total issued Shares as at the date of this report).

2014 Share Award Scheme

Since the date of adoption of 2014 Share Award Scheme (i.e. 30 October 2014) (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 about 2.09% of the total number of Shares in issue as at the 2014 Adoption Date and about 0.24% of the total issued Shares as at the date of this report.

During the Year, no Shares had been awarded under the 2014 Share Award Scheme and as at 31 December 2020, 26,667 Shares were held by the trustee under the 2014 Share Award Scheme.

Further details of the 2014 Share Award Scheme are set out in Note 43 to the financial statements. Details and other principal terms of the 2014 Share Award Scheme are set out in the announcement of the Company dated 30 October 2014.

2016 Share Award Scheme

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, representing in aggregate about 2.18% of the total number of Shares in issue as at the 2016 Adoption Date and about 1.11% of the total issued shares as at the date of this report.

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.

During the Year, no Shares had been awarded under the 2016 Share Award Scheme. As at 31 December 2020, 15,395,000 Shares were held by TMF Trustee under the 2016 Share Award Scheme.

Further details of the 2016 Share Award Scheme are set out in Note 43 to the financial statements. 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.

Directors

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

Chairman

Mr. Yu Feng (Non-executive Director)

Executive Directors

Mr. Zhang Ke (Vice chairman and Chief Executive Officer)	(appointed on 8 October 2020)
Mr. Huang Xin	
Ms. Hai Olivia Ou	(re-designated as executive Director on 23 February 2020)
Ms. Li Ting	(resigned on 23 February 2020)

Non-executive Directors

Mr. Adnan Omar Ahmed	
Mr. Michael James O'Connor	(appointed on 27 March 2020)
Mr. Gareth Ross	(resigned on 27 March 2020)

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, Mr. Yu Feng, Mr. Zhang Ke, Mr. Hunag Xin and Mr. Chu Chung Yue, Howard 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 2020 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 announcement included: Mr. Yu Feng, Mr. Huang Xin, Ms. Hai Olivia Ou, Mr. Zhang Ke, Mr. Qi Daqing, Mr. Adnan Omar Ahmed, Mr. Chan Man Ko, Mr. Ng Yu Lam Kenneth, Ms. Liu Shu-Yen, Mr. Liu Zhiguang, Mr. Leung Pui Hong, Mr. Ku Sanqi, Mr. He Shiqiang, Mr. Wong Yin Hing, Mr. Lam Shing, Ms. Zhang Ting, Ms. Jiao Qi, Ms. Ping Yi[1], Ms. Wang Jing[1], Mr. Liu Shaojie[1], Mr. Brian Eden[1], Mr. Neil Gray[1], Ms. Qin Li[2], Mr. Tay Keng Puang[2], Ms. Liao Yee Ching[2], Ms. Li Ting[2], Mr. Cai Junyi[2], Mr. Zhang Hongbin[2], Mr. Thomas Parsons JR[2], and Mr. Leon Rhule[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 2020, 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, Chairman of the Group and a non-executive Director, was interested in 1,827,641,279 Shares through Jade Passion, a company which is owned as to 73.21% of its issued share capital by Key Imagination. 91% of the issued share capital of Key Imagination is owned by YFHL, the issued share capital of which in turn, is owned as to 70.15% by Mr. Yu Feng.

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, 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 2020, 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 2020, 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, Chairman of the Group and a non-executive Director, was interested in 1,827,641,279 Shares through Jade Passion, a company which is owned as to 73.21% of its issued share capital by Key Imagination. 91% of the issued share capital of Key Imagination is owned by YFHL, the issued share capital of which in turn, is owned as to 70.15% 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 2020, 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 in 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") and an announcement dated 30 December 2020 were issued.

1. Policies Endorsement Fee Agreement

Parties: MMLIC and YF Life

Date: 15 December 2017

Principal terms: Between 2004 and 2014, YF Life underwrote approximately 300 life insurance policies which included a claims payment endorsement by MMLIC, which would be triggered in the event of insolvency of YF Life. Pursuant to the Policies Endorsement Fee Agreement, MMLIC will continue to provide such endorsement to the outstanding policies until such policies mature.

Upon the occurrence a triggering event, namely the solvency ratio of YF Life ceasing to be at least 150% and such cessation not being remedied within a certain agreed period, a change of control of YF Life, or the independent Shareholders failing to approve the fee payable to MMLIC for maintaining its endorsement to the outstanding policies, MMLIC will have the right to require YF Life to cede to MMLIC the rights and obligations of YF Life under the life insurance policies which include the claims payment endorsement by MMLIC, and YF Life shall transfer assets (of a value equivalent to the obligations or liabilities of YF Life attributable to such life insurance policies) to MMLIC. The Company and YF Life consider that it is extremely unlikely that the aforementioned triggering events will occur. The value of the obligations to be assumed, and therefore the amount of assets and the selection of the assets to be transferred, will be determined by MMLIC and YF Life in good faith if any triggering event takes place.

The initial term of the Policies Endorsement Fee Agreement will be three years from 16 November 2018. The Policies Endorsement Fee Agreement will be automatically extended for successive three-year terms. The Company intends that the Policies Endorsement Fee Agreement shall continue until the expiry or lapse of the life insurance policies which included a claims payment endorsement by MMLIC. All such policies were underwritten by YF Life between 2004 and 2014 and no such policies which include such claims payment endorsement by MMLIC have been underwritten by YF Life since then. The Company intends that the Policies Endorsement Fee Agreement shall be renewed if there are any such policies subsisting upon the expiry of the initial term of the Policies Endorsement Fee Agreement. The Company will re-comply with the applicable requirements under the Listing Rules as and when the Policies Endorsement Fee Agreement is renewed after the expiry of the initial term.

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

Pricing terms: YF Life will pay to MMLIC an annual fee calculated and paid semi-annually at a rate of 0.18% of the average account value of the outstanding policies as consideration for maintaining the claims payment endorsement.

The fee rate was determined based on arm's length negotiation with reference to the average default rates of corporates with investment credit ratings ranging from A- to BBB- published by S&P Global.

The reason for YF Life entering into the Policies Endorsement Fee Agreement is that certain life insurance policies underwritten by YF Life included a claims payment endorsement by MMLIC which would be triggered in the event of insolvency of YF Life. Given that the claims payment endorsement by MMLIC is a term of the relevant life insurance policies and YF Life cannot unilaterally revise or cancel the claims payment endorsement term without the consent of each of the relevant policyholders, there are no comparable arrangements which YF Life may obtain from independent third parties to replace the claims payment endorsement by MMLIC under such life insurance policies.

Reasons for the transaction: The Company believes it is important to assure policyholders that the acquisition of YF Life will not result in any change to the terms of their existing policies, including the claims payment endorsement by MMLIC.

Annual caps: The maximum aggregate annual amount of fees payable by YF Life to MMLIC for the years ending 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending December 31, (*HKD '000*)			
	2018	**2019**	**2020**	**2021**
Total fees	5,611	5,835	6,068	5,500

2. Barings Investment Advisory Agreement

Parties: Barings LLC and YF Life

Date: 15 December 2017

Principal terms: Barings LLC is an investment adviser and has provided investment management services to YF Life since 2000. Pursuant to the Barings Investment Advisory Agreement, YF Life will 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. Barings LLC will manage all fixed income portfolio investments for YF Life for a period of three years from 16 November 2018.

The initial term of the Barings Investment Advisory Agreement will be three years from the 16 November 2018. 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.

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.

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 2018, 31 December 2019, 31 December 2020 and 31 December 2021 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending December 31,			
	2018	**2019**	**2020**	**2021**
Total fees	US$8,000,000 (equivalent to approximately HK$62,590,000)	US$10,500,000 (equivalent to approximately HK$82,150,000)	US$12,500,000 (equivalent to approximately HK$97,798,000)	HK$111,000,000

3. Extension to the Transitional Services Agreement

Parties: MMI and YF Life

Date: 15 November 2019

Principal terms: MMI will provide certain treasury and financial reporting services relating to investment or portfolio management such as classification, monitoring and allocation of purchases and sales of securities, compiling and monitoring pricing and fund performance for alternative investments, preparing risk sensitivity analysis, impairment analysis, facilitating cash management and managing specified cash accounts to YF Life.

The term of the services will be beginning on 16 November 2019 and ending on 31 December 2021, provided that the term of any Service may be terminated earlier by YF Life in accordance with the Extension to the Transitional Services Agreement.

Pricing terms: YF Life will pay to MMI a monthly service fee which shall be the greater of:-

(i) 0.00275% of the Average Portfolio Book Value for the relevant month; and

(ii) US$116,667.

The service fee shall be payable to MMI monthly in arrears.

Pursuant to the Extension to the Transitional Services Agreement, the service fee is subject to the following caps:

(a) US$250,000 for the period from 16 November 2019 to 31 December 2019;

(b) US$2,277,000 for the year ending 31 December 2020; and

(c) US$2,619,000 for the year ending 31 December 2021.

Furthermore, YF Life has the right to terminate any portion of the Services by giving three months prior notice. In the event one or more (but not all) of the Services are terminated, prior to the expiration of the term, MMI and YF Life will negotiate in good faith a pro rata reduction of the remaining balance of the service fee.

The fees for the Services were determined after arm's length negotiations between the parties and taking into account the current size and the anticipated growth in the investment portfolio of YF Life managed by MMI and with reference to the prevailing market rate charged by independent third party service providers in the ordinary course of business.

The Company has compared the fees payable by YF Life to MassMutual for the Services with the prevailing market rate 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 services in Hong Kong. The Company considered that the fees payable by YF Life to MMI are no less favourable than the prevailing market rate offered by other competent independent third party service providers. In view of this and taking into account that the Services are currently provided by MassMutual to YF Life, the Company considers it is beneficial to and in the interests of YF Life for it to enter into the Extension to the Transitional Services Agreement.

Reasons for the transaction: The Services are currently provided by MMI to YF Life under the Transitional Services Agreement. The Company believes that the continued provision of the Services by MMI to YF Life is economically efficient as it will cost YF Life more to establish the necessary systems and recruit the appropriate staff if YF Life were to carry out the Services itself.

Annual caps: US$250,000, US$2,277,000 and US$2,619,000 have been set as the annual caps for the amounts of service fees payable by YF Life to MassMutual under the Extension to the Transitional Services Agreement for (i) the period beginning on 16 November 2019 and ending on 31 December 2019, (ii) the year ending 31 December 2020 and (iii) the year ending 31 December 2021, respectively. These annual cap amounts have been set out in the Extension to the Transitional Services Agreement and have been determined with reference to the current size and the anticipated growth of the investment portfolio of YF Life managed by MassMutual. As at 31 December 2018, the book value of YF Life's asset portfolio managed by MassMutual was US$4,990.5 million.

The aggregate amount paid by the Group in respect of the Extension to the Transitional Services Agreement, the Policies Endorsement Fee Agreement and the Barings Investment Advisory Agreement for the year ended 31 December 2020 is approximately HK$16,203,000 (being 91% of the annual cap for 2020), HK$5,170,000 (being 85% of the annual cap for 2020), HK$84,292,000 (being 86% of the annual cap for 2020) respectively.

All the independent non-executive Directors, having reviewed the transactions under the Policies Endorsement Fee Agreement, the Barings Investment Advisory Agreement and the Extension to the Transitional Services Agreement (the "2020 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 2020 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 2020 CCTs have not been approved by the Board;

(ii) the 2020 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 2020 CCTs has exceeded the annual cap of 2020 as disclosed in the 2017 Circular and the 2019 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 Policies Endorsement Fee Agreement, the Barings Investment Advisory Agreement and the Extension to the Transitional Services 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 1.2% of the total revenue for the Year, with the single largest customer contributing approximately 0.3%.

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 (2019: 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 announcement, 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.

Environment 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.

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 Macau, we provide a wide range of insurance products including life insurance, medical insurance, annuities, pension and mandatory provident fund schemes to customers. YF Life is one of the first (and one of the few) insurance companies to introduce annuities to the region.

Reporting Reference

Yunfeng Financial Group Limited (the “Company”, and together with its subsidiaries the “Group”) is committed to maintaining a high standard of corporate social governance in order to constantly improve its environmental and social surroundings while providing sustainable returns to shareholders.

To communicate our efforts on environmental, social and governance (“ESG”) matters, this Environment 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 of materiality, quantitative, consistency and balance as set out in the ESG Guide.

Scope and Boundary of the ESG report

This ESG Report covers the ESG policies and procedures of the Group’s operation in all jurisdictions for the year ended 31 December 2020. 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.

Unless otherwise specified, the boundary of the reported ESG data covers all offices of the Group in Hong Kong S.A.R. (“Hong Kong”), Macao S.A.R. (“Macau”) and the Mainland of People’s Republic of China (“PRC”). They include:

— Three Company offices in Hong Kong, Beijing and Shenzhen;

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

— Five YF Life branch offices in Macau.

Contact

The views and opinions of our stakeholders are important for the continuous improvement of our business and ESG performance. Any constructive feedback regarding this ESG report are welcomed and may be sent to this email: ir@yff.com.

Our approach to ESG

Governance and Risk Management

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

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 are responsible for overall risk management and internal control and report to the Board of Subsidiary together with the management of the main subsidiary of the Group ("Management of Subsidiary"). 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 directly appointed by the Management of Subsidiary and report to the audit committee. Overall, Board of Subsidiary reports to the management of the Group on risk management and internal audit matters and is supervised by the Board.

The internal control system is led 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 risk management 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 Securities and Futures Ordinances 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.

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

Stakeholder Engagement and Materiality Assessment

The opinions of our stakeholders are crucial to the Group's development and we place great emphasis on communicating with different stakeholders. As an integral part of our business, we engage with different stakeholder groups on an on-going basis throughout our daily operations. Through our interaction with different stakeholder groups, we have summarised and presented in the below table their key concerns:

Table 1 Summary of stakeholder 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

To determine what ESG issues are material to our operations, we conducted interviews and surveys with management with hands-on knowledge of our operations as well as close relationships with our business partners. The results are reviewed from time to time based on changes in the Group's business operations and updates on sustainability reporting standards to ensure the applicability of the material issues to the Group's operations.

With no major changes to the Group's businesses, we continue to consider the overall social aspects to be more material than that of environment aspects, with the most important matters being anti-corruption, customer privacy, and the health and safety of our employees. We will continue to review our materiality results based on stakeholder opinions and any changes in our business operations and sustainability reporting trends.

Employment and labour practice

To enable us to deliver value to our shareholders and serve our clients, we endeavour to attract and retain the best talents. We are committed to maintaining a non-discriminatory workplace where all employees are provided with opportunities to reach their full potential. We maintain a policy of equal employment opportunity, and all human resources decisions including recruitment, promotion, salary administration and training opportunities are based on bona fide occupational requirements, but not individual traits like race, colour, religion, age, gender or medical history.

Employment

Talent recruitment and retention

To recruit and retain high-calibre talents, we provide competitive remuneration packages to attract and motivate our employees. We offer competitive remuneration, share option and share award schemes, retirement and medical benefits, insurance coverage and leave entitlement commensurate to market standards. The remuneration package of employees is reviewed regularly based on individual performance and market conditions. As part of the effort to retain talent, we offer internal mobility opportunities, which drive the overall efficiency of operations through better matching of required skills with talents. All the above details are documented in the two Employee Handbooks of the Group and YF Life, along with other provisions like employment terms, remuneration, benefits, training and regulations, and business conduct.

Diversity and equal opportunity

The Group adopts an equal employment opportunity policy and is committed to maintaining a non-discriminatory workplace where all employees are treated with fairness and respect. We make recruitment and other employment-related decisions based on bona fide occupational requirements, and prohibit discrimination, harassment, bias or prejudice on the basis of an individual's traits, including but not limited to gender, disability, family status, race, marital status or pregnancy. Employees are encouraged to report any potential violations to the human resources department and violations may result in disciplinary action or even termination of employment.

At the Board level, we have adopted a board diversity policy in October 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Under the policy, the Group 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. For further details, please refer to the Corporate Governance Report.

Labour Practices

We strictly adhere to Employment of Children Regulations and other regulations under the Employment Ordinance in Hong Kong together with other relevant laws in other jurisdictions, which prohibit any illegal employment of children or forced labour. To prevent child labour, we perform checks on candidates' relevant information including personal identification and other documents to verify their age. Through the two Employee Handbooks of the Company and YF Life, we communicate to employees their employment terms and conditions, to ensure that they clearly understand their employee rights and benefits.

Our Workforce

As at 31 December 2020, the Group had 708 employees, among which male and female employees represent 46.2% and 53.8% of the total workforce respectively. Geographically, about 77.8% of our employees are stationed in Hong Kong, with another 18.6% residing in the PRC and the remaining 3.5% in Macau. By age group, 33.5 % of our employees are below 30 years of age, with another 56.2% aged between 30 to 50, and the remaining 10.3% above 50 years of age.

The overall turnover rate was 18.2% in 2020, 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 2020	Turnover rate in 2020 (%)
By gender		
Male	63	21.6%
Female	61	15.6%
By geographical region		
Hong Kong	64	12.4%
Macau	1	4.3%
PRC	59	42.0%
By age group		
Below 30	55	23.9%
30-50	66	17.1%
Above 50	3	4.7%

Regulatory compliance

During the reporting period, the Group adhered to the Employment Ordinance and other relevant regulations, and was not aware of any material non-compliance regarding employment, child or forced labour.

Employee Health and safety

The well-being of our employees directly affects the Group's productivity and we make every effort to increase the awareness of all staff members regarding occupational health and safety issues within the Group.

While there is no significant health and safety risk in the office environment, we take all practical measures to ensure a safe and healthy working environment and communicate with employees to enhance their awareness. We seek to promote the well-being of employees by providing medical insurance coverage to our employees, covering services like clinical visits, hospitalisation benefits, dental benefit, specialist visits and health check-ups.

During the COVID-19 outbreak, we have also taken various measures to protect our colleagues and prevent the spread of disease in our offices. For instance, we adopted flexible working arrangements and a split team system to minimise the chance of infection from daily commuting and interactions between colleagues. Employees who went back to our offices are required to wear masks in offices and lifts, and the Company provided two masks per day for each employee. We also followed the government's instructions, and all unnecessary business trips were cancelled and employees were required to report any trips to foreign countries to the human resources department. In the event that there was any confirmed case of COVID-19 in buildings our employees live in, or if they were involved in any infection cluster, such employees were required to alert the human resource department and work from home until receiving a negative COVID-19 test result.

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

Development and training

The Group emphasises the importance of the on-going professional development of our employees, and seeks to provide different training and development opportunities to assist their career progression. Through a relevant, systematic and organised training platform, we aim to align the knowledge and skill sets of our staff members with our business objectives and operation requirements, in order to enhance efficiency and productivity. We believe that upskilling our staff members can help reduce overall operational risks in the long run.

At YF Life, staff training is broadly categorised into three main types for new, existing and management staff. Upon joining YF Life, employees receive basic training on legal compliance, company product knowledge, service selling techniques and mentor training in person. For staff with management roles, we offer leadership-related training to assist them in discharging their management responsibilities.

To ensure that our agents act in line with the regulatory requirements, we offer regular legal compliance e-refreshers on different compliance topics including anti-money laundering, direct marketing and data privacy. Agents must complete the required compliance training or their agent contract may be terminated. For insurance sales to mainland clients, we have also established an Internal Compliance Guide for Sales to PRC Clients outlining the requirements for agents working on sales to clients from PRC.

Besides the abovementioned regular training, we also encourage our employees at YF Life to pursue further development by joining the Designation Programs offered by the Life Office Management Association (LOMA). The Designation Programs offer various topics including customer service, reinsurance and compliance, allowing staff to learn more about various facets of the insurance industry and fulfil their self-improvement commitments. To encourage participation, we offer full refund on the registration fees for each course passed as well as exam bonus and examination leave to eligible staff.

For our staff engaging in non-insurance businesses, we also offer internal and external training to promote and cultivate the ongoing professional development of our staff. On a regular basis, staff members are provided with internal seminars including various team building sessions, FATCA[1] and CRS[2] updates, SFC[3] seminars with regulatory updates and financial reporting updates. In the reporting year, we have also provided trainings covering topics like anti-money laundering and counter financing of terrorism, cybersecurity and data breach, and refresher training on compliance matters for our staff. We also support our employees to seek external education relevant to their job duties, and provide benefits including examination leave and fee reimbursement, subject to approval of their department head and senior management.

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

Operation Practices

Product responsibility

The Group emphasises quality in providing insurance products and other financial services to our valued customers. Both industries are highly regulated by the governing bodies and regulators such as the Securities and Futures Commission, Insurance Authority, Mandatory Provident Fund Schemes Authority and Monetary Authority of Macau. We comply strictly with the local laws and regulations such as sales practice, KYC check, credit control, compliance, risk disclosure, information protection and data security as well as trademarks and intellectual property. To ensure that our employees are capable of providing quality services to customers, we regularly provide our employees with refresher training on relevant regulatory requirements.

In 2020, 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 protect customers from unexpected events and support their long-term life planning. It is therefore vital that our insurance products are of high quality and meet relevant regulatory requirements. We collaborate with different institutions from time to time to conduct market research to keep abreast of the latest market trends and to ensure our products meet the needs of our customers.

As the bridge connecting our products to the customers, we ensure our agents provide quality services. Our agents are all properly licensed according to the rules promulgated by the Insurance Authority of Hong Kong and the Monetary Authority of Macau, and have satisfied all legal and internal standards of YF Life before being permitted to distribute YF Life insurance products. Besides strictly following the 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 with respect to our insurance products to allow proper and accurate representations of product features to customers.

We also have an "Internal Compliance Guide for PRC sales" in place to ensure our staff and agents are fully aware of 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 strictly follow the internal qualification requirements with no exceptions.

The monitoring of our service quality also extends to the post-sales period. We follow industry practices as issued by the 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 which is 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. The launch of new products requires approvals from all relevant middle and back office functions to ensure that relevant market practices and regulations are met.

It is also important that we empower our customers to make informed decisions in relation to their wealth and investment opportunities. Our staff receives training on product sales best practices from time to time, and we ensure that throughout our promotion campaigns and press releases, our communication materials convey clear, concise and transparent information to allow customers to make informed decisions. We have a chatbot to provide automatic replies to frequently asked questions from customers, and when clients are not satisfied with the answer they receive, they will be directed to our customer service representatives.

Customer privacy and feedback

Information security and business continuity

As a financial institution, we rely on information systems to deliver quality services to our clients and are committed to protecting and managing our information resources to enable us to meet our regulatory responsibilities. To provide guidance on cybersecurity efforts, we have in place a group-wide Cybersecurity Policy and a separate Information Security Policy for YF Life.

We need to deal with sensitive information of our clients and it is important that we take all necessary steps to protect such information. We adhere strictly to the Personal Data (Privacy) Ordinance in Hong Kong and any violation of data privacy obligations is subject to disciplinary actions. There are also internal compliance manuals to guide us on the proper handling of customer information. Varying access right levels have been set to prevent unnecessary access to sensitive client information and prevent information leakage.

The protection of information from external threats is also of critical importance when protecting customers' privacy. Our IT security efforts are guided by the Group Cybersecurity Policy. From time to time, we also invite external service providers to provide cybersecurity training and update our staff on the latest cybersecurity risks.

We fully understand the significance of service stability to our clients. We have established a business continuity plan ("BCP") with comprehensive and systematic measures in place to deal with potential threats from major unexpected events and/or operational disruptions to ensure business continuity and services to our customers. We back-up our data servers regularly and 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 welcome customer feedback and collect their opinions through various channels, including our staff, website and customer service hotline. We also regularly seek inputs from our front-line business units to look for areas that require improvement. We promptly handle all complaints from our customers, and meet the response pledge as prescribed by regulatory requirements.

Anti-corruption

We strictly adhere to applicable laws and regulations and conduct our businesses with high standards of business integrity and ethical dealing. Upon joining the Group, all new employees are provided with internal guidelines including the Corporate Compliance Guide and different compliance manuals regarding their professional obligations to transact business affairs in a legal and ethical manner.

The Group is committed to ensuring strict compliance with all applicable anti-money laundering ("AML") laws and regulations to prevent the use of its products and services for money laundering and terrorist financing purposes. For our insurance business, an AML policy is established with reference to the Insurance Authority's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. Under the policy, any identified suspicious client activities would be reported to relevant authorities immediately. From time to time, updates are made to the AML policy to incorporate the latest legal requirements which our 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 Securities and Futures Commission ("SFC"), regulated entities under the Company are governed by our AML/Know-your-client ("KYC") policy, and are required to perform KYC procedures prior to entering into business relationships with proposed customers.

To assist individual employees across levels and divisions/departments to disclose (at a high-level) information related to any misconduct or malpractice they are aware of, a formal Whistleblowing Policy of the Company and a Speak-up Policy for YF Life are in place to protect any employee who reports misconduct. Under these policies, the reporter's identity is protected and we take all reasonable steps to ensure that the employee suffers no detriment for making reports in good faith.

Besides internal guidelines, we also provide employees with regular training to ensure clear understanding of the Group's compliance requirements. 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 seminars to strengthen employees' awareness towards possible misconduct. To enhance corporate management, we standardise and systemise our expenditures through the Regulations on Financial Expenditure Management by clearly documenting the various approval requirements of different expenditure by their nature and amount.

In 2020, there was no reported non-compliance or concluded cases relating to corruption or money laundering.

Supply chain and counterparties management

At YF Life, we appoint various service providers to support our operations, particularly on IT services. When selecting these service providers, we consider different factors including price, capability and credentials of suppliers, availability of local support and possible synergy from leveraging on other services.

For our other financial services, effective counterparty and transaction due diligence processes are the foundation of our approach 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, and 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 purpose, we continue monitoring the market reputation and business practice of all existing counterparties.

In relation to the sourcing of professional service and financial data providers, the Company has established proper tendering and quotation procedures to engage the most suitable service providers with criteria tailored for covering areas such as product/service quality together with internal control and risk management requirements to manage various operational risks including credit, reputational and concentration risks. Consequently, in addition to pricing evaluation, all relevant factors will be considered in the selection of counterparties/service providers.

For internally-developed service provision processes with the aim to maximise automation and segregation of duties to reduce human error, we have set up a project management and quality control team to 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.

Environment & Community

Environment

Use of resources

As a financial institution, the Group mainly conducts its businesses in the office environment and has a less significant environmental footprint compared to other sectors. However, we still seek to minimise resource consumption and adopt environmental best practices in our operations by regularly reviewing our environmental practices and considering additional eco-friendly measures, sustainability targets and practices.

Concerning energy consumption, our server units and data centres consume the most energy. While we do not have control over the energy use in the rented data centres, we have long adopted in-rack cooling for server units at YF Life's data centre for better thermal management, thus reducing overall energy consumption.

In our offices, we reinforce the principles of reduce, recycle and reuse, to further minimise our already low impact on the environment. We have adopted various green practices to reduce the consumption of resources (including electricity, water and paper). Examples of such green practices are:

— 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; and

— Setting up recycling bins in office areas

As part of our effort to reduce our environmental impact, we have been progressively digitalising our business operations. FinTech mobile applications were launched in 2019 to support eFNA, online applications, electronic policy issue, online payment, ePolicy Services and claims, etc. In the coming years, we will continue to enhance these applications to enrich the functionalities and improve customer experiences as well as reducing our environmental impact while improving efficiency in our operations.

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

Summary of resources consumptions

Use of resources	Unit	2020
Electricity	kWh	3,059,234
Water[4]	m^3	472
Paper (A3)[5]	Sheets	110,110
Paper (A4)[5]	Sheets	7,908,469

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 as well as generation of hazardous and non-hazardous wastes, and do not consider such emissions to be material. However, we are aware of the carbon emissions caused by our electricity consumption and strive to minimise electrical consumption in our offices, servers and data centres.

In 2020, there was no material non-compliance regarding environmental emissions reported.

The environmental and natural resources

As a financial institution, the impact of our business extends beyond our own operations to the impact our investment strategies have on the environment. While we have not formulated specific policies or guidelines on the ESG considerations of our investment strategies, ESG considerations are indirectly addressed as described below.

At YF Life, we have appointed Barings to be the investment manager of our 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.

For our wealth management services, we seek to work with top-tier fund managers which we believe 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 obvious negative ESG impact. As part of our due diligence procedures, we also conduct news search on funds to better understand their performance. Any negative news identified, including ESG-related ones, may trigger further investigation or clarification with the fund managers, depending on the nature of the issue.

[4] 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 and Beijing office, ten YF Life Hong Kong offices and four YF Life Macau offices.
[5] Excluding the Company's Beijing office where such data is not tracked.

Community Investment

The Group is committed to participating in community events. When approached by charitable organisations, we perform due diligence on their background, mission and plan. If they match with the Group's vision, we will provide financial and other assistance to the maximum practicable extent, on a case-by-case basis.

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, Macau and China. 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, as well as strengthen the parent-child bond through a series of parent-child collaboration activities. The program's slogan "It is Possible!" encourages children to take on challenges and go beyond their comfort zone.

With the spread of COVID-19 and in the interests of all participants' health and safety, the 2020 YF Life Jr. Space Camp Program was temporarily suspended. We will continue to monitor the situation of the pandemic and restart the program when feasible.

Participation and sponsorships in social and environmental events

Besides our flagship YF Life Jr. Space Camp Program, we also actively participate in different charitable events organised by non-governmental organisations ("NGOs"). In 2020, we continued to participate in and make monetary donations to the Dress Casual Day and Love Teeth Day organised by The Community Chest. In addition, we participated in the AVS Flag Day organised by the Agency for Volunteer Service and the World Sight Day 2020 organised by Orbis in Hong Kong and Macau.

We also made in-kind donations to different NGOs during the year, including food donation to Food Angel, and 1,600 pieces of Fook Calendar to two NGOs under The Community Chest.

To raise awareness on climate change, we participated in the Green Low Carbon Day 2020 co-organised by The Community Chest and the Earth Hour 2020 organised by the World Wide Fund for Nature. Staff members were encouraged to participate in these events and make donations to show their support.

In the face of COVID-19, in addition to responding to the threat with strengthened protection for our customers by offering them free Hospital Income Benefit, we also extended this benefit to non-YF Life customers in both Hong Kong and Macau. In addition, we donated hand sanitisers to various member agencies of The Community Chest dedicated to serving the visually impaired.

A Appendix: HKEX ESG Reporting Guide Index

	Aspects **範疇**	Section **章節**	Remarks **備註**
A	Environmental **環境**	5	
A1	Emissions **排放物** 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. 有關廢氣及溫室氣體排放、向水及土地的排污、有害及無害廢棄物的產生等的： (a) 政策；及 (b) 遵守對發行人有重大影響的相關法律及規例	5.1	
A1.1	The Types of Emissions and respective emission data 排放物的種類及相關排放資料	-	Due to our business nature, no significant amount of air emission was generated. 由於我們的業務性質，未有產生重大數量的有害廢棄物。
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). 溫室氣體總排放量（以噸計算）及（如適用）密度（如以每產量單位、每項設施計算）。	-	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. 溫室氣體排放未被識別為對本集團屬重要。我們將持續遵循監管變化，同時審核未來相關披露。
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). 所產生有害廢棄物總量（以噸計算）及（如適用）密度（如以每產量單位、每項設施計算）。	-	Due to our business nature, no significant amount of hazardous waste was generated. 由於我們的業務性質，未有產生重大數量的有害廢棄物。

	Aspects **範疇**	Section **章節**	Remarks **備註**
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). 所產生無害廢棄物總量（以噸計算）及（如適用）密度（如以每產量單位、每項設施計算）。	-	Non-hazardous wastes are not identified as material to the Group and no data was tracked. 無害廢棄物未被識別為對本集團屬重要，因此未跟蹤相關數據。
A1.5	Description of measures to mitigate emissions and result achieved 描述減低排放量的措施及所得成果。	5.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved 描述處理有害及無害廢棄物的方法、減低產生量的措施及所得成果。	5.1	
A2	Use of Resources **資源使用** Policies on the efficient use of resources, including energy, water and other raw materials. 有關有效使用資源（包括能源、水及其他原材料）的政策。	5.1	
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). 按類型劃分的直接及╱或間接能源（如電、氣或油）總耗量（以千個千瓦時計算） 及密度（如以每產量單位、每項設施計算）。	5.1	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility). 總耗水量及密度（如以每產量單位、每項設施計算）。	5.1	
A2.3	Description of energy use efficiency initiatives and result achieved. 描述能源使用效益計劃及所得成果。	5.1	

	Aspects **範疇**	Section **章節**	Remarks **備註**
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. 描述求取適用水源上可有任何問題，以及提升用水效益計劃及所得成果。	5.1	There was no issue in sourcing water that is fit for purpose. 在採購適用水源上未有遇到任何問題。
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. 製成品所用包裝材料的總量（以噸計算），及（如適用）每生產單位占量。	5.1	Due to our business nature, no significant amount of packaging material was used. 由於我們的業務性質，未有使用重大數量的包裝材料。
A3	The Environment and Natural Resources **環境及天然資源** Policies on minimizing the issuer's significant impact on the environment and natural resources. 有關減低發行人對環境及天然資源造成重大影響的政策。	5.1	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them. 描述業務活動對環境及天然資源的重大影響及已採取管理有關影響的行動。	5.1	The Group's businesses are mainly conducted in offices and hence there is insignificant impact on the environment and natural resource. 本集團的業務主要在辦公室進行，因此對環境和自然資源的影響不大。
B	Social **社會**		

	Aspects **範疇**	Section **章節**	Remarks **備註**
B1	**Employment 僱傭** Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare 有關僱傭的政策及遵守於以下方面對發行人有重大影響的本地法律及規例： • 薪酬及解僱 • 招聘及晉升 • 工作時數及假期 • 平等機會及反歧視 • 多元化 • 其他待遇及福利	3.1	
B1.1	Total workforce by gender, employment type, age group and geographical region. 按性別、僱傭類型、年齡組別及地區劃分的僱員總數。	3.1	
B1.2	Employee turnover rate by gender, age group and geographical region. 按性別、年齡組別及地區劃分的僱員流失比率。	3.1	

	Aspects **範疇**	Section **章節**	Remarks **備註**
B2	Health and Safety **健康與安全**		
	Policies and compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. 有關提供安全工作環境及保障僱員避免職業性危害的政策及遵守對發行人有重大影響的相關法律及規例。	3.2	
B3	Development and Training **發展與培訓**		
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. 有關提升僱員履行工作職責的知識及技能的政策。描述培訓活動。	3.2	
B4	Labour Standard **勞工準則**		
	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 有關防止童工或強制勞工及對發行人有重大影響的政策及遵守相關法律及規例。	3.1	
B4.1	Description of measures to review employment practices to avoid child and forced labour. 描述檢討招聘慣例的措施以避免童工及強制勞工。	3.1	
B4.2	Description of steps taken to eliminate such practices when discovered. 描述在發現違規情況時消除有關情況所採取的步驟。	3.1	

	Aspects **範疇**	Section **章節**	Remarks **備註**
B5	Supply Chain Management **供應鏈管理**		
	Policies on managing environmental and social risks of the supply chain. 有關管理供應鏈的環境及社會風險的政策。	4.3	
B6	Product Responsibility **產品責任**		
	Policies and 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. 有關所提供產品和服務的健康與安全、廣告、標籤及私隱事宜以及補救方法及對發行人有重大影響的政策以及遵守相關法律及規例。	4.1	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. 已售或已運送產品總數中因安全與健康理由而須回收的百分比。	-	對本集團的業務不適用。 Not applicable to the Group's businesses.
B6.4	Description of quality assurance process and recall procedures. 描述質量檢定過程及產品回收程序。	-	對本集團的業務不適用。 Not applicable to the Group's businesses.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored. 描述消費者資料保障及私隱政策， 以及相關執行及監察方法。	4.1.3	
B7	**Anti-corruption 反貪污**		
	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 有關防止賄賂、勒索、欺詐及洗黑錢及對發行人有重大影響的政策及遵守相關法律及規例。	4.2	

	Aspects **範疇**	Section **章節**	Remarks **備註**
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. 於匯報期內對發行人或其僱員提出並已審結的貪污訴訟案件的數目及訴訟結果。	4.2	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. 描述防範措施及舉報程式，以及相關執行及監察方法。	4.2	
B8	**Community Investment 社區投資**		
	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. 有關以社區參與來瞭解發行人營運所在社區需要和確保其業務活動會考慮社區利益的政策。	5.2	

Consolidated income statement for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK $'000	*2019* HK $'000
Income			
Premiums and fee income	6	7,723,441	6,016,075
Premiums ceded to reinsurer		(2,934,969)	(1,948,003)
Net premium and fee income		4,788,472	4,068,072
Change in unearned revenue liability		(525,825)	(715,649)
Net earned premium and fee income		4,262,647	3,352,423
Brokerage commission, interest and other service income		33,944	18,566
Subscription, management and rebate fee income		5,432	8,850
Consultancy and advisory income		-	1,060
Net investment income	7a	3,691,641	3,290,299
Overlay adjustment		(119,419)	(93,666)
Other income	7b	2,697,478	1,624,033
Reinsurance commission and profit		97,301	78,204
Total income		10,669,024	8,279,769
Benefits, losses and expenses			
Net policyholders benefit	8	(3,272,837)	(3,196,552)
Commission and related expenses	9	(1,349,851)	(1,199,947)
Deferral and amortisation of deferred acquisition costs and value of business acquired		743,691	913,505
Management and other expenses		(940,046)	(1,001,438)
Change in future policyholder benefits	10	(4,727,089)	(3,076,718)
Total benefits, losses and expenses		(9,546,132)	(7,561,150)
Finance cost	11(c)	(170,385)	(103,488)
Share of result in associates		303	(1,080)
Profit before taxation	11	952,810	614,051
Tax (expenses)/credit	12	(3,823)	699
Profit after taxation		948,987	614,750
Profit attributable to:			
Equity shareholders of the Company		618,315	255,619
Non-controlling interests		330,672	359,131
		948,987	614,750
Earnings per share attributable to equity shareholders of the Company			
Basic *(HK$)*	15(a)	0.186	0.080
Diluted *(HK$)*	15(b)	0.186	0.080

The notes form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Profit for the year after taxation		948,987	614,750
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)		732	4,084
Items that may be reclassified subsequently to profit or loss:			
Net movement in the fair value reserve during the year recognised in other comprehensive income	17	1,166,122	1,143,832
Net movement in fair value of financial asset at fair value through profit or loss under overlay adjustment	17	119,419	93,666
Exchange differences arising on translation of results of foreign operations		3,085	(5,172)
Unrealised loss related to amortisation of deferred acquisition costs and value of business acquired	23, 24	(986,349)	(1,033,200)
Unrealised gain related to amortisation of unearned revenue liability - Insurance contract provisions	31(iii)	527,205	477,873
Unrealised gain related to amortisation of unearned revenue liability - Investment contract liabilities	32(iii)	67,838	64,251
		898,052	745,334
Total comprehensive income for the year		1,847,039	1,360,084
Total comprehensive income attributable to:			
Equity shareholders of the Company		1,246,308	702,384
Non-controlling interests		600,731	657,700
		1,847,039	1,360,084

The notes form part of these financial statements.

Consolidated statement of financial position at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Assets			
Property and equipment	18	600,451	495,328
Statutory deposits	19	5,721	3,243
Deferred tax asset	37(b)	150	44
Investments in associates	20	30,074	27,860
Goodwill and other intangible assets	22	1,909,079	1,923,360
Value of business acquired	23	9,012,571	10,057,446
Deferred acquisition costs	24	1,931,197	1,128,980
Investments	25	62,807,704	54,822,243
Advance reinsurance premiums	26	1,289,587	1,455,458
Reinsurers' share of outstanding claims	33	55,443	48,349
Insurance and reinsurance receivables	27	3,755,753	1,579,543
Other accounts receivable and accrued income	28	158,878	124,446
Other receivables, deposits and prepayment	29	954,639	627,511
Bank balance - trust and segregated accounts	30	747,841	478,465
Fixed bank deposits with original maturity over 3 months	30	236,733	385,417
Cash and cash equivalents	30	4,056,734	2,169,751
		87,552,555	75,327,444
Liabilities			
Insurance contract provisions	31	54,487,776	46,455,874
Investment contract liabilities	32	4,492,855	4,364,600
Outstanding claims	33	184,160	161,913
Reinsurance premium payables	34	321,989	529,562
Other accounts payables	35	869,533	578,545
Other payables and accrued expenses	36	2,520,712	2,436,967
Tax payable	37(a)	13,893	52,086
Financial liabilities at fair value through profit or loss	38	618,561	630,569
Lease liabilities	39	286,412	326,584
Deferred tax liabilities	37(b)	1,220,317	1,267,384
Bank borrowings	40	1,553,503	1,498,758
Shareholder's loan	41	1,641,077	1,561,444
		68,210,788	59,864,286
NET ASSETS		19,341,767	15,463,158

Consolidated statement of financial position at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
CAPITAL AND RESERVES			
Share capital	42(e)	11,872,683	9,829,094
Reserves		1,507,893	273,604
		13,380,576	10,102,698
Non-controlling interests		5,961,191	5,360,460
TOTAL EQUITY		19,341,767	15,463,158

The notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

(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	*Accumulated loss* HK$'000	*Sub-total* HK$'000	*Non-controlling interests* HK$'000	*Total* HK$'000
Balance at 31 December 2018 (Restated)	9,829,094	(83,230)	28,033	2,650	33,791	(4,456)	(6,486)	65,883	(629,887)	9,235,392	6,118,634	15,354,026
First adoption of HKFRS 16	-	-	-	-	-	-	-	-	(6,580)	(6,580)	(4,387)	(10,967)
Adjusted balance at 1 January 2019	9,829,094	(83,230)	28,033	2,650	33,791	(4,456)	(6,486)	65,883	(636,467)	9,228,812	6,114,247	15,343,059
Changes in equity for the year ended 31 December 2019:												
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	178,043	178,043	(1,739,487)	(1,561,444)
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	328,000	328,000
Equity settled share-based transactions	-	-	(6,541)	-	-	-	-	-	-	(6,541)	-	(6,541)
Profit for the year	-	-	-	-	-	-	-	-	255,619	255,619	359,131	614,750
Other comprehensive income for the year	-	-	-	-	447,853	4,084	(5,172)	-	-	446,765	298,569	745,334
Retirement of revalued assets	-	-	-	(1,112)	-	-	-	-	1,112	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	582	(582)	-	-	-
Balance at 31 December 2019	9,829,094	(83,230)	21,492	1,538	481,644	(372)	(11,658)	66,465	(202,275)	10,102,698	5,360,460	15,463,158

Consolidated statement of changes in equity for the year ended 31 December 2020
(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 2019 and 1 January 2020	9,829,094	(83,230)	21,492	1,538	481,644	(372)	(11,658)	66,465	(202,275)	10,102,698	5,360,460	15,463,158
Changes in equity for the year ended 31 December 2020												
Issue of subscription shares	2,043,589	-	-	-	-	-	-	-	-	2,043,589	-	2,043,589
Equity settled share-based transactions	-	-	(12,019)	-	-	-	-	-	-	(12,019)	-	(12,019)
Profit for the year	-	-	-	-	-	-	-	-	618,315	618,315	330,672	948,987
Other comprehensive income for the year	-	-	-	-	624,176	732	3,085	-	-	627,993	270,059	898,052
Retirement of revalued assets	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	610	(610)	-	-	-
Balance at 31 December 2020	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

The notes form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Profit before taxation		952,810	614,051
Adjustments for:			
Net gain on financial assets and financial liabilities at fair value through profit and loss		(1,350,924)	(1,132,980)
Net gain on disposal of financial assets at fair value through other comprehensive income		(98,620)	(19,798)
Net (gain)/loss on disposal of financial assets measured at amortised cost		(8,067)	220
Dividend and distribution income from financial asset at fair value through profit and loss		(235,760)	(255,480)
Impairment loss of debt instrument measured at amortised cost and fair value through other comprehensive income		137,992	18,650
Impairment loss of investment in an associate		-	35,000
Depreciation and amortisation		157,922	139,516
Finance costs		170,385	103,488
Interest income		(19,455)	(48,456)
Equity-settled share-based payment expenses		(12,019)	(6,541)
Effect of shadow accounting on change in value of business acquired, deferred acquisition costs and unearned revenue liability		(391,306)	(491,076)
Share of result of associates		(303)	1,080
Interest credited to policyholders' deposits		2,784,500	2,690,237
Effective interest income of investments		(107,485)	(100,979)
Other movements in investment and others		249	17,822
		1,979,919	1,564,754

Consolidated cash flow statement for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Changes in working capital:			
Change in financial asset and financial liabilities at fair value through profit or loss		32,149	29,766
Increase in other accounts receivable		(34,233)	(29,812)
Increase in other receivables, deposits and prepayments		(259,357)	(87,452)
Increase in bank balances – trust and segregated accounts		(269,376)	(38,502)
Increase in other accounts payable		290,988	56,681
Increase in accrued expenses and other payables		230,207	1,586,709
Decrease in value of business acquired		1,044,875	1,018,216
Increase in deferred acquisition costs		(802,217)	(898,522)
(Decrease)/increase in unearned revenue liability		(69,217)	173,524
Decrease/(increase) in advance reinsurance premiums		165,871	(1,444,806)
Increase in reinsurer's share of outstanding claims		(7,094)	(17,147)
Increase in insurance and reinsurance receivable		(2,175,327)	(1,335,621)
Decrease in policyholders' deposits		(2,042,681)	(2,030,219)
Increase in future policyholders' benefits		4,727,089	3,076,718
Increase in outstanding claims		22,247	38,090
(Decrease)/increase in reinsurance premium payables		(207,573)	215,551
Others		3,304	(12,006)
Cash generated from operation		2,629,574	1,865,922

Consolidated cash flow statement
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Operating activities			
Cash generated from operations		2,629,574	1,865,922
Interest received		769	1,141
Interest paid		(46,665)	(15,740)
Tax paid:			
Hong Kong profit tax paid		(88,387)	(2,071)
Overseas tax paid		(795)	(2,348)
Net cash generated from operating activities		2,494,496	1,846,904
Investing activities			
Payment for purchased of property and equipment		(156,710)	(81,964)
Payment for purchase of intangible asset		(45)	(233)
Proceeds from dividend and distribution income from financial assets at fair value through profit or loss		54,311	80,352
Purchase of/payment for acquisition of financial assets at fair value through other comprehensive income		(9,055,787)	(9,037,401)
Proceeds from disposal of financial assets at fair value through other comprehensive income		5,395,801	3,480,808
Proceeds from disposal of financial assets at fair value through profit or loss		2,962,427	2,322,348
Purchase of/payment for acquisition of and contribution made to financial assets at fair value through profit or loss		(2,436,149)	(2,150,555)
Decrease/(increase) in fixed bank deposits placed with original maturity over 3 months		148,684	(126,167)
Purchases of amortised cost investments		(3,667,004)	(4,272,765)
Proceeds from sales, maturities and repayments of amortised cost investments		1,449,527	1,154,514
Purchases of policy loans		(2,575)	(626)
Proceeds from sales, maturities and repayments of policy loans		1,692	316
Interest received		24,251	46,479
Net cash used in investing activities		(5,281,577)	(8,584,894)

Consolidated cash flow statement for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000
Financing activities			
Payment made for interest component of lease liabilities		(9,543)	(10,384)
Payment made for capital component of lease liabilities		(124,296)	(106,087)
Proceeds from issuance of placement shares		2,043,589	-
Net proceeds from issuance of preference shares by a subsidiary		-	76,063
Drawndown of bank borrowings		843,300	1,406,800
Repayment of bank borrowings		(788,232)	(1,106,800)
Interest paid		(57,871)	(65,484)
Capital injection from non-controlling interest to a subsidiary		-	328,000
Policyholders' account deposits for insurance and investment contracts		4,741,469	4,931,169
Policyholders' account withdrawals for insurance and investment contracts		(1,981,003)	(1,729,217)
Net cash generated from financing activities		4,667,413	3,724,060
Net increase/(decrease) in cash and cash equivalents		1,880,332	(3,013,930)
Cash and cash equivalents at 1 January		2,169,751	5,184,229
Effect of foreign exchange rate changes		6,651	(548)
Cash and cash equivalents at 31 December		4,056,734	2,169,751

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 Suites 3201-3204, One Exchange Square, 8 Connaught Place, Central, 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 2020 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 furniture and equipment	5 years
- Computer 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 furniture and equipment	Shorter of lease term and 5 years
- Computers 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 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 note2(t)(ii)). Amortisation begins when the asset is available for use, ie 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 bond 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 a new HKFRS, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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*	*2020 Change in profit after tax and equity* HK$'000	*2019 Change in profit after tax and equity* HK$'000
Discount rate	+1%	655,561	562,691
	-1%	(762,739)	(654,223)
Mortality/morbidity	+10%	(81,606)	(74,952)
	-10%	84,127	77,086

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 detail information about the acquisition of subsidiaries, note 22 provides detail 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	%
2020				
0-500	26,728,165	14	36,164,952	43
501-750	20,097,085	11	28,239,835	34
751-1,000	26,385,052	14	19,121,205	23
1,001-1,500	30,709,608	16	30,826	0
1,501-2,000	21,817,767	12	77,928	0
2,001-2,500	12,552,838	7	4,669	0
>2,500	49,340,411	26	7,723	0
Total	187,630,926	100	83,647,138	100

HK$'000	*Sum insured before reinsurance* HK$'000	%	*Sum insured after reinsurance* HK$'000	%
2019				
0-500	26,704,703	15	36,090,151	44
501-750	20,258,023	11	28,353,735	35
751-1,000	25,976,464	15	16,869,339	21
1,001-1,500	30,353,799	17	-	-
1,501-2,000	20,128,668	11	-	-
2,001-2,500	11,556,369	6	-	-
>2,500	43,967,215	25	-	-
Total	178,945,241	100	81,313,225	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 2020, 0.01% (2019: 0.11%) of the Group's debt securities 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 2020, 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. For the year ended 31 December 2020, 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, Macau, 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:

	2020				*2019*			
	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	321,989	321,989	321,989	-	529,562	529,562	529,562	-
Other accounts payables	869,533	869,533	869,533	-	578,545	578,545	578,545	-
Other payables and accrued expense	2,520,712	2,520,712	2,520,712	-	2,436,967	2,436,967	2,436,967	-
Financial liabilities at fair value through profit or loss	618,561	618,561	-	618,561	630,569	630,569	-	630,569
Lease liabilities	286,412	298,509	140,000	158,509	326,584	341,026	135,248	205,778
Bank borrowings	1,553,503	1,560,938	1,560,938	-	1,498,758	1,596,769	82,413	1,514,356
Shareholder's loan	1,641,077	1,892,162	83,695	1,808,467	1,561,444	1,641,077	1,641,077	-
	7,811,787	8,082,404	5,496,867	2,585,537	7,562,429	7,754,515	5,403,812	2,350,703

(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.

	2020			*2019*		
	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	54,487,776	3,198,767	51,289,009	46,455,874	3,319,010	43,136,864
Investment contract liabilities	4,492,855	229,851	4,263,004	4,364,600	213,450	4,151,150
Outstanding claims	184,160	184,160	-	161,913	161,913	-
	59,164,791	3,612,778	55,552,013	50,982,387	3,694,373	47,288,014

(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.

	2020 HK$'000	*2019* HK$'000
Financial assets		
Statutory deposits	5,721	3,243
Debt securities and mortgage loans	51,073,548	44,004,452
Loans to agents and staff	19,723	32,379
Cash and cash equivalents and deposits with banks maturing more than three months	4,293,467	2,555,168
Financial liabilities		
Bank borrowings	1,553,503	1,498,758
Shareholder's loan	1,641,077	1,561,444

(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 2020, 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$6,991,000 and HK$17,149,000 respectively (2019: increase/decrease by HK$14,746,000) and decrease/increase the equity by approximately HK$1,657,528,000 (2019: HK$1,397,427,000) 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. 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 minimize 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.

	2020									
	United States Dollars HK'000	*Canadian Dollars* HK'000	*Macau Patacas* HK'000	*British Pounds* HK'000	*Australian Dollars* HK'000	*Euros* HK'000	*Chinese Renminbi* HK'000	*Japanese Yen* HK'000	*Thailand Baht* HK'000	*Singapore Dollars* HK'000
Financial assets										
Investments	51,461,235	-	-	-	-	-	-	-	-	-
Insurance and reinsurance receivables	73,258	-	151	-	-	-	-	-	-	-
Other account receivables	43,087	-	-	-	76	-	6,873	-	-	2
Other receivables	583,097	-	-	407	54	290	4,351	-	-	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	1,389,162	14	97,806	511	3,852	8,581	26,665	329	1	41
Derivative financial instruments	99,028	-	-	-	-	-	-	-	-	-
	53,648,867	14	97,957	918	3,982	8,871	37,889	329	1	43
Financial liabilities										
Reinsurance premium payables	119,760	-	202,229	-	-	-	-	-	-	-
Derivative financial instruments	151,788	-	-	-	-	-	-	-	-	-
Other accounts payables	260,032	14	-	66	21	-	12,967	50	-	28
Other payables	700,416	-	10,006	-	-	-	9,140	-	-	-
Investment contract liabilities	2,036,409	-	77,765	-	-	-	-	-	-	-
Outstanding claims	77,243	-	5,447	-	-	-	-	-	-	-
Lease liabilities	-	-	50,850	-	-	-	10,174	-	-	-
	3,345,648	14	346,297	66	21	-	32,281	50	-	28
Notional amount of currency-related derivative contracts	(23,032,985)	-	-	-	-	(38,375)	-	-	-	-

	2019									
	United States Dollars HK'000	*Canadian Dollars* HK'000	*Macau Patacas* HK'000	*British Pounds* HK'000	*Australian Dollars* HK'000	*Euros* HK'000	*Chinese Renminbi* HK'000	*Japanese Yen* HK'000	*Thailand Baht* HK'000	*Singapore Dollars* HK'000
Financial assets										
Investments	44,004,452	-	-	-	-	-	-	-	-	-
Insurance and reinsurance receivables	432,676	-	141	-	-	-	-	-	-	-
Other account receivables	56,984	-	-	-	47	-	572	-	-	2
Other receivables	446,556	-	-	171	122	272	7,217	13	-	6
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	1,100,766	14	35,558	1,007	3,599	4,467	19,163	879	23	26
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
	46,041,434	14	35,699	1,178	3,768	4,739	26,952	892	23	34
Financial liabilities										
Reinsurance premium payables	408,636	-	-	-	-	-	-	-	-	-
Derivative financial instruments	20,366	-	-	-	-	-	-	-	-	-
Other accounts payables	222,682	14	-	64	20	-	5,315	-	-	23
Other payables	1,913,599	-	-	-	-	-	10,198	-	-	35
Investment contract liabilities	2,015,623	-	74,259	-	-	-	-	-	-	-
Outstanding claims	58,886	-	831	-	-	-	-	-	-	-
Lease liabilities	-	-	37,188	-	-	-	13,431	-	-	-
	4,639,792	14	112,278	64	20	-	28,944	-	-	58
Notional amount of currency-related derivative contracts	(19,714,613)	-	-	-	-	(21,586)	-	-	-	-

(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 2020, 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$871,782,000 (2019: HK$1,078,639,000).

At 31 December 2020, it is estimated that an increase/decrease of 10% (2019: 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$87,178,000 (2019: HK$107,864,000)

For the other investment 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 equity securities and mutual fund investments), transfers between Level 1 and Level 2 measurement categories are expected to be infrequent. There were no such transfers during any period presented. Transfers into and out of Level 3 are summarized 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 2020 categorised into			*Fair value measurements as at 31 December 2019 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						
Assets/(liabilities)						
Financial assets at fair value through profit or loss:						
- Private credit and other trust product type funds	-	-	635,657	-	-	680,555
- Credit linked obligation note	-	-	-	-	-	26,813
- Listed equity	287,363	-	-	-	-	-
- Unlisted equity	-	23,758	-	-	-	-
- Leveraged and structured note investment	-	2,527,431	13,078	-	2,531,873	12,559
- Unit trust	584,733	7,915,620	287,048	598,394	7,462,946	167,950
- Interest in a joint venture	-	-	107,240	-	-	100,273
- Insurance contract related partnership investment	-	-	1,814,439	-	-	1,569,168
- Mutual fund	-	269	-	160,936	272	-
Financial asset at fair value through other comprehensive income						
- Debt securities	391,458	15,704,855	4,512,536	-	11,590,267	4,450,348
- Perpetual capital measured at fair value	-	78,029	-	-	77,297	-
Financial liabilities designated at fair value through profit or loss						
- Preference share liability	-	-	(387,655)	-	-	(389,570)
- Third-party interests in consolidated funds	-	-	(230,906)	-	-	(240,999)
- Investment contract liabilities	-	(4,492,855)	-	-	(4,364,600)	-

There were no transfers between Level 1 and Level 2 except for HK$1,504,000 amount of FVOCI debt instrument transferred from level 1 to level 3 (2019: HK$12,796,000 of FVOCI debt instrument transferred from Level 3 to level 2). 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 utilize 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
Financial asset at fair value through other comprehensive income:					
- Corporate securities	Matrix pricing and DCF	Credit spread	75BPS (2019: 66BPS)	1,593BPS (2019: 1,150BPS)	175BPS (2019: 146BPS)

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 2020, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have increased/decreased the Group's other comprehensive income by HK$181,444,000 (2019: HK$156,917,000) under overlay adjustment.

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 2020, 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$279,202,000 (2019: HK$106,738,000).

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 2 investment

Perpetual capital - the fair value is based on brokers quote. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in quoted price by 5% would have increased/decreased the Group's other comprehensive income and equity after tax by HK$3,257,000 (2019: HK$3,227,000).

Unlisted equity securities - the fair value is based on recent transaction price, As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in recent transaction price by 5% would have increased/decreased the Group's profit and equity after tax by HK$1,188,000 (2019: HK$Nil).

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 a nnum and net asset value of underlying fund investment
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.

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:	*2020* %	*2020* *Effect on profit after tax and retained profit* HK$'000	*2019* %	*2019* *Effect on profit after tax and retained profit* HK$'000
Trust type fund products				
Increase	5	12	5	1,153
Decrease	(5)	(12)	(5)	(1,153)
Joint controlled entity				
Increase	10	10,724	10	10,027
Decrease	(10)	(10,724)	(10)	(10,027)
Private credit funds				
Increase	10	63,542	10	64,980
Decrease	(10)	(63,542)	(10)	(64,980)
Preference share liability				
Increase	10	-	10	-
Decrease	(10)	-	(10)	-
Third party interest in consolidated fund				
Increase	10	(21,801)	10	(22,916)
Decrease	(10)	21,801	(10)	22,916

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

	2020 HK$'000	*2019* HK$'000
At 1 January	807,641	721,200
Capital injection/purchase	191,028	216,166
Settlement on disposal and redemption of products	(82,043)	(133,161)
Realised (loss) gain on disposal	(16,257)	4,636
Exchange alignment	(7,377)	(3,300)
Fair value change of investment	(150,095)	2,100
At 31 December	742,897	807,641

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

	2020 HK$'000	*2019* HK$'000
At 1 January	4,450,348	3,626,407
Purchase and issuances	144,152	723,279
Settlements	(64,704)	(216,353)
Net realised gain (loss) to profit or loss	(84,961)	1,264
Net unrealised gain to other comprehensive income	67,701	315,751
At 31 December	4,512,536	4,450,348

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

	2020 HK$'000	*2019* HK$'000
At 1 January	1,749,677	1,403,208
Cost of investment purchased	392,838	497,361
Distribution received	(242,085)	(257,702)
Earnings reinvested	137,267	124,165
Disposal	(4,528)	(3,803)
Net realised gain to profit or loss	216	440
Net unrealised gain (loss) to other comprehensive income	79,675	(1,196)
Transfer into level 3	1,504	-
Transfer out of level 3	-	(12,796)
At 31 December	2,114,564	1,749,677

Financial liabilities at fair value through profit or loss

	2020 HK$'000	*2019* HK$'000
At 1 January	630,569	503,130
Share issued/contribution received	37,658	131,727
Distribution to third party investor	(5,508)	(25,899)
Exchange alignment	(799)	-
Fair value change	(43,359)	21,611
At 31 December	618,561	630,569

(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 2019 and 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2020		*Fair value measurements as at 31 December 2020 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	21,503,917	30,223,711	-	23,012,254	7,211,457
Loans and receivables	6,420,273	6,858,859	-	-	6,858,859

	2019		*Fair value measurements as at 31 December 2019 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	18,511,569	20,811,021	-	18,037,374	2,773,647
Loans and receivables	6,881,023	7,240,918	-	-	7,240,918

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:

	2020					
	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	38,576	(27,903)	10,673	-	-	10,673
Other accounts payable	246,794	(27,903)	218,891	-	-	218,891
Derivative assets	110,001	(10,973)	99,028	3,946	(99,528)	3,446
Derivative liabilities	63,232	(10,973)	52,259	(83)	(99,528)	(47,352)

	2019					
	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	41,161	(29,775)	11,386	-	-	11,386
Other accounts payable	145,494	(29,775)	115,719	-	-	115,719
Derivative assets	29,421	(16,815)	12,606	171	(12,324)	453
Derivative liabilities	24,857	(16,815)	8,042	(311)	(13,338)	(5,607)

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 minimize 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 minimized. 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.

	2020 HK$'000	*2019* HK$'000
Net amount of financial assets after offsetting as stated above	10,673	11,386
Financial assets not in scope of offsetting disclosure	148,205	113,060
	158,878	124,446
Net amount of financial liabilities after offsetting as stated above	218,891	115,719
Financial liabilities not in scope of offsetting disclosure	650,642	462,826
	869,533	578,545

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.

	2020 HK$'000	*2019* HK$'000
Premium and fee income from insurance contracts	7,674,237	5,961,032
Fee income from investment contracts	49,204	55,043
	7,723,441	6,016,075

7a Net investment income

	2020 HK$'000	*2019* HK$'000
Interest income from unlisted debt securities and mortgage loans	2,008,279	1,810,687
Bank and other interest income	19,455	39,224
Net realised gain on disposal of securities designated at fair value through profit or loss	502,870	217,373
Net unrealised gain on financial asset and financial liabilities designated at fair value through profit or loss	716,328	936,699
Net realised gain on fair value through other comprehensive income debt securities	98,620	19,798
Net realised gain/(loss) on debt securities measured at amortised cost	8,067	(220)
Impairment (loss)/reversal of assets measured at amortised cost	(72,148)	8,349
Impairment loss of fair value through other comprehensive income debt securities	(65,844)	(26,999)
Impairment loss on investment in an associate	-	(35,000)
Dividend and distribution income	235,760	255,480
Net derivative gain/(loss)	131,726	(21,092)
Other investment loss	(10,891)	(7,666)
Net unrealised gain of fair value through profit or loss financial assets under overlay adjustment	119,419	93,666
	3,691,641	3,290,299

Total interest income from financial assets at fair value through other comprehensive income amounted to HK$740,776,000 (2019: HK$720,989,000) and from amortised cost financial assets amounted to HK$1,281,069,000 (2019: HK$1,119,879,000) for the year ended 31 December 2020.

7b Other income

	2020	*2019*
	HK$'000	HK$'000
Trustee fee income	28,452	26,334
Income from modified coinsurance	2,560,558	1,530,040
Other income	108,468	67,659
	2,697,478	1,624,033

8 Net policyholders benefit

	2020	*2019*
	HK$'000	HK$'000
Net claims, policy benefits and surrenders (note a)	416,275	482,165
Interest credited to policyholders' deposits (note b)	2,784,500	2,690,237
Dividends to policyholders (note c)	72,062	24,150
	3,272,837	3,196,552

Notes

(a) Claims, policy benefits and surrenders

	2020			
	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	679,592	1,273	27,829	708,694
- Change in outstanding claims	20,139	-	2,108	22,247
	699,731	1,273	29,937	730,941
Amount recoverable from reinsurers:				
- Benefits recoverable	(307,523)	-	(50)	(307,573)
- Change in outstanding claims	(4,105)	-	(2,988)	(7,093)
	(311,628)	-	(3,038)	(314,666)
Net amount	388,103	1,273	26,899	416,275

	2019			
	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	648,469	1,244	40,479	690,192
- Change in outstanding claims	38,672	-	(582)	38,090
	687,141	1,244	39,897	728,282
Amount recoverable from reinsurers:				
- Benefits recoverable	(227,618)	-	(1,352)	(228,970)
- Change in outstanding claims	(18,499)	-	1,352	(17,147)
	(246,117)	-	-	(246,117)
Net amount	441,024	1,244	39,897	482,165

Benefits payable comprise claims, policy benefits and surrenders.

(b) Interest credited to policyholders' deposits

	2020			
	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	2,545,301	21,961	-	2,567,262
Investment contracts	217,238	-	-	217,238
	2,762,539	21,961	-	2,784,500

	2019			
	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	2,463,853	14,730	-	2,478,583
Investment contracts	211,654	-	-	211,654
	2,675,507	14,730	-	2,690,237

(c) Dividends to policyholders

	2020			
	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	72,062	-	-	72,062

	2019			
	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	24,150	-	-	24,150

9 Commission and related expenses

	2020			
	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	1,325,693	184	7,859	1,333,736
Investment contracts	16,115	-	-	16,115
	1,341,808	184	7,859	1,349,851

	2019			
	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	1,174,328	260	8,707	1,183,295
Investment contracts	16,652	-	-	16,652
	1,190,980	260	8,707	1,199,947

10 Change in future policyholder benefits

	2020 HK$'000	*2019* HK$'000
Increase in future policyholders' benefits - insurance contracts (note 31)	4,718,917	3,066,008
Increase in future policyholders' benefits - investment contracts (note 32)	8,172	10,710
	4,727,089	3,076,718

11 Profit before taxation

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

	2020	*2019*
	HK$'000	HK$'000
(a) Staff costs		
Equity-settled share-based payment reversal (note 43)	(12,019)	(6,541)
Salaries, allowances and benefits in kind	442,266	417,925
Retention package	4,266	34,937
Social welfare		
– Staff (note a)	29,130	30,784
– Agents	21,453	25,583
	485,096	502,688

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 (2019: 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.

During the year, wealth management products and securities brokerage transaction fees approximately amounted to HK$66,000 (2019: HK$495,000) were waived as part of staff benefit scheme.

	2020 HK$'000	*2019* HK$'000
(b) Other operating items		
Auditors' remuneration	10,579	10,562
Legal and professional costs	24,246	27,763
Operating lease payments - property rentals	4,385	6,704
Depreciation and amortisation	157,922	139,516
Information, data and communication expenses	28,746	26,698
Net exchange (loss)/gain	(16,152)	28,483
Disposal loss for		
- fixed assets	64	154
Entertainment and travelling	2,755	7,647

	2020 HK$'000	*2019* HK$'000
(c) Finance costs		
Bank loan interest	57,548	66,016
Interest on lease liabilities	9,543	10,384
Preference share liability	23,267	23,082
Other interest expense	260	1,388
Shareholder's loan interest	79,767	2,618
	170,385	103,488

12 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2020 HK$'000	*2019* HK$'000
Current tax		
Hong Kong		
Provision for the year	49,963	48,626
Over-provision in respect of prior years	(40)	(40)
Overseas		
Provision for the year	967	1,562
Under-provision in respect of prior years	100	168
Macau		
Provision for the year	-	-
Over-provision in respect of prior years	-	-
	50,990	50,316
Deferred tax		
Origination and reversal of temporary differences	(47,167)	(51,015)
	3,823	(699)

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 2019. The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of $20,000 for each business (2019: a maximum reduction of $20,000 was granted for the year of assessment 2018-19 and was taken into account in calculating the provision for 2019).

The provision for Macau Complementary Tax is calculated at tax rate of 12.0% (2019: 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 profit at applicable tax rates:

	2020 HK$'000	*2019* HK$'000
Profit before taxation	952,810	614,051
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	204,353	105,496
Tax effect of surplus transferred from Hong Kong long term individual life business	(273,523)	(188,694)
Notional tax on net premiums written in respect of Hong Kong long term individual life business	47,956	47,263
Tax effect of non-taxable income	(29,560)	(4,157)
Tax adjustment in respect of prior years	60	128
Tax effect of non-deductible expenses	28,505	25,955
Tax effect of unused tax losses previously not recognised	(1,801)	(441)
Tax effect of tax losses not recognised	74,730	61,500
Tax effect of reversal of taxable temporary difference	(47,167)	(51,155)
Others	270	3,406
Tax expenses/(credit)	3,823	(699)

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:

	2020							
	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	*Resignation payment* HK$'000	*Total* HK$'000
Chairman								
Yu Feng	-	-	-	-	-	-	-	-
Executive directors								
Zhang Ke (note iii)	-	2,161	-	5	2,166	-	-	2,166
Hai Olivia Ou (note iv)	-	-	-	-	-	-	-	-
Huang Xin	-	-	-	-	-	-	-	-
Li Ting (note v)	-	1,274	-	5	1,279	-	5,000	6,279
Non-executive directors								
Hai Olivia Ou (note iv)	-	-	-	-	-	-	-	-
Adnan Omar Ahmed	-	-	-	-	-	-	-	-
Michael James O' Connor (note vi)	-	-	-	-	-	-	-	-
Gareth Ross (note vii)	-	-	-	-	-	-	-	-
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	3,477	-	10	4,579	-	5,000	9,579

Notes:

i The discretionary bonus amount represents bonus accrued and approved for the year 2020.

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 Appointed as an executive director and chief executive officer effective on 8 October 2020.

iv Re-designated as an executive director and appointed as interim chief executive officer effective on 23 February 2020 and ceased to be the interim chief executive officer effective on 8 October 2020.

v Resigned as executive director and chief executive officer effective on 23 February 2020.

vi Appointed as independent non-executive director on 27 March 2020.

vii Resigned as independent non-executive director on 27 March 2020.

	2019							
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonus (note i)*	*Contributions to Mandatory Provident Fund*	*Sub-total*	*Share-based payments (note ii)*	*Resignation payment*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman								
Yu Feng	-	-	-	-	-	-	-	-
Executive directors								
Huang Xin	-	-	-	-	-	-	-	-
Li Ting	-	7,644	-	18	7,662	-	-	7,662
Non-executive directors								
Hai Olivia Ou	-	-	-	-	-	-	-	-
Adnan Omar Ahmed	-	-	-	-	-	-	-	-
Gareth Ross	-	-	-	-	-	-	-	-
Independent non-executive directors								
Chu Chung Yue, Howard	360	18	-	-	378	-	-	378
Lin Lijun	58	3	-	-	61	-	-	61
Qi Daqing	492	12	-	-	504	-	-	504
Xiao Feng	183	9	-	-	192	-	-	192
Total	1,093	7,686	-	18	8,797	-	-	8,797

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, none (2019: none) is a director whose emoluments is disclosed in note 13. The aggregate of the emoluments in respect of the five (2019: five) individuals are as follows:

	2020 HK$'000	*2019* HK$'000
Salaries, allowances and benefits in kind	34,263	38,055
Discretionary bonus	9,860	23,350
Equity-settled share-based payment expenses (note 1)	-	-
Contributions to Mandatory Provident Fund and retirement scheme contribution	2,313	2,256
	46,436	63,661

Note 1: These represent 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) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The emoluments of the five (2019: five) individuals with the highest emoluments are within the following bands:

	Number of individuals *2020*	*2019*
HK$7,000,001 to HK$7,500,000	1	-
HK$7,500,001 to HK$8,000,000	1	-
HK$8,000,001 to HK$8,500,000	-	-
HK$9,000,001 to HK$9,500,000	1	1
HK$9,500,001 to HK$10,000,000	-	1
HK$10,000,001 to HK$10,500,000	1	-
HK$11,500,001 to HK$12,000,000	1	1
HK$13,000,001 to HK$13,500,000	-	1
HK$19,500,001 to HK$20,000,000	-	1

15 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2020 of HK$618,315,000 (2019: HK$255,619,000), and the weighted average number of shares in issue during the year ended 31 December 2020 of 3,319,175,720 (2019: 3,207,904,727).

Weighted average number of ordinary shares

	2020	*2019*
Issued ordinary shares at 1 January	3,223,326,394	3,223,326,394
Effect of issue of subscription shares (note 42(e))	111,270,993	-
Effect of shares held by share award scheme	(15,421,667)	(15,421,667)
Weighted average number of ordinary shares at 31 December	3,319,175,720	3,207,904,727

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2020 of HK$618,315,000 (2019: HK$255,619,000), and the weighted average number of shares during the year ended 31 December 2020 of 3,319,175,720 (2019: 3,207,904,727).

Weighted average number of ordinary shares (diluted)

	2020	*2019*
Weighted average number of ordinary shares at 31 December	3,319,175,720	3,207,904,727
Weighted average number of ordinary shares *(diluted)* at 31 December	3,319,175,720	3,207,904,727

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 2020

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Premiums and fee income	7,723,441	-	7,723,441
Premiums ceded to reinsurer	(2,934,969)	-	(2,934,969)
Net premium and fee income	4,788,472	-	4,788,472
Change in unearned revenue liability	(525,825)	-	(525,825)
Brokerage commission, interest and other service income	-	33,944	33,944
Subscription, management and rebate fee income	-	5,432	5,432
Consultancy and advisory income	-	-	-
Inter-segment income	1,635	7,360	8,995
Reportable segment revenue	4,264,282	46,736	4,311,018
Allocated net investment income, other operating income and gains	6,195,267	171,734	6,367,001
Share of result of associates	-	303	303
Allocated operating costs	(9,353,961)	(188,409)	(9,542,370)
Allocated finance cost	(7,794)	(30,488)	(38,282)
Reportable segment profit/(loss)	1,097,794	(124)	1,097,670
Elimination of inter-segment (loss)/profit			(1,200)
Reportable segment profit derived from Group's external customers			1,096,470
Unallocated legal and professional fees, finance cost and other operating expenses			(143,660)
Taxation			(3,823)
Profit for the year			948,987
Depreciation and amortisation of fixed and other intangible asset for the year	(135,076)	(25,772)	(160,848)
Bank interest income	11,694	7,497	19,191
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)	81,442,764	4,365,942	85,808,706
Additions to non-current segment assets during the year other than associates	257,028	3,890	260,918
Cash and cash equivalent and fixed bank deposits with original maturity over 3 months	1,880,711	2,412,756	4,293,467
Investment in associates	-	30,074	30,074
Reportable segment liabilities	(63,449,832)	(4,820,726)	(68,270,558)

For the year ended 31 December 2019

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Premiums and fee income	6,016,075	-	6,016,075
Premiums ceded to reinsurer	(1,948,003)	-	(1,948,003)
Net premium and fee income	4,068,072	-	4,068,072
Change in unearned revenue liability	(715,649)	-	(715,649)
Brokerage commission, interest and other service income	-	18,566	18,566
Subscription, management and rebate fee income	-	8,850	8,850
Consultancy and advisory income	-	1,060	1,060
Inter-segment income	1,741	12,936	14,677
Reportable segment revenue	3,354,164	41,412	3,395,576
Allocated net investment income, other operating income and gains	4,843,432	55,438	4,898,870
Share of result of associates	-	(1,080)	(1,080)
Allocated operating costs	(7,294,518)	(227,845)	(7,522,363)
Allocated finance cost	(7,820)	(27,028)	(34,848)
Reportable segment profit/(loss)	895,258	(159,103)	736,155
Elimination of inter-segment (loss)/profit			(7,000)
Reportable segment profit derived from Group's external customers			729,155
Unallocated legal and professional fees, finance cost and other operating expenses			(115,104)
Taxation			699
Profit for the year			614,750
Depreciation and amortisation of fixed and other intangible asset for the year	(108,191)	(31,880)	(140,071)
Bank interest income	25,032	13,372	38,404
Reportable segment assets	71,464,563	2,100,893	73,565,456
(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)			
Additions to non-current segment assets during the year other than associates	117,366	4,954	122,320
Cash and cash equivalent and fixed bank deposits with original maturity over 3 months	2,253,331	301,837	2,555,168
Investment in associates	-	27,860	27,860
Reportable segment liabilities	(55,422,342)	(4,446,476)	(59,868,818)

(b) Reconciliation of segment assets and liabilities

	2020 HK$'000	*2019* HK$'000
Assets		
Reportable segment assets	85,808,706	73,565,456
Elimination of inter-segment asset transfer	(11,500)	(14,500)
Elimination of inter-segment receivables	(70,363)	(49,118)
	85,726,843	73,501,838
Goodwill	1,825,562	1,825,562
Deferred tax assets	150	44
Consolidated total assets	87,552,555	75,327,444

	2020 HK$'000	*2019* HK$'000
Liabilities		
Reportable segment liabilities	68,270,558	59,868,818
Elimination of inter-segment payables	(73,663)	(56,618)
	68,196,895	59,812,200
Tax payable	13,893	52,086
Consolidated total liabilities	68,210,788	59,864,286

(c) Geographical segment information

The Group's customers, operation and administration are mainly located in Hong Kong and Macau. 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 2020.

17 Other comprehensive income

Reclassification adjustments relating to components of other comprehensive income

	Note	*2020* HK$'000	*2019* HK$'000
Debt securities classified as fair value through other comprehensive income:			
Changes in fair value recognised during the year		1,194,458	1,090,061
Reclassification adjustments for amounts transferred to profit or loss:			
Net gains on disposal		(98,620)	(20,161)
Impairment losses		65,884	73,205
Others		4,400	727
Net movement in the fair value reserve during the year recognised in other comprehensive income		1,166,122	1,143,832

	Note	*2020* HK$'000	*2019* HK$'000
Financial asset at fair value through profit or loss under overlay approach:			
Changes in fair value recognised during the year		(32,967)	57,085
Reclassification adjustments for amounts transferred to profit or loss:			
Net (gains)/losses on disposal		-	-
Net movement in the fair value reserve during the year recognised in other comprehensive income		(32,967)	57,085

	Note	*2020* HK$'000	*2019* HK$'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		152,386	36,581
Reclassification adjustments for amounts transferred to profit or loss:			
Net losses/(gains) on disposal		-	-
Deferred taxation		-	-
Net movement in the fair value reserve during the year recognised in other comprehensive income		152,386	36,581
Net movement in the fair value reserve during the year under overlay approach recognised in other comprehensive income		119,419	93,666

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	*Motor vehicles* HK$'000	*Total* HK$'000
Cost						
At 31 December 2018	-	25,963	10,234	134,367	726	171,290
Adoption of HKFRS 16 (Note)	294,317	-	2,223	-	-	296,540
At 1 January 2019	294,317	25,963	12,457	134,367	726	467,830
Additions	88,648	16,330	19,879	70,878	-	195,735
Write off and disposal	-	(4,818)	(1,090)	(189)	-	(6,097)
Exchange alignment	-	(119)	(52)	(49)	-	(220)
At 31 December 2019	382,965	37,356	31,194	205,007	726	657,248
At 1 January 2020	382,965	37,356	31,194	205,007	726	657,248
Additions	99,324	25,243	7,218	129,088	-	260,873
Write off and disposal	(33,284)	(7,129)	(1,592)	(11,969)	(726)	(54,700)
Exchange alignment	-	460	200	180	-	840
At 31 December 2020	449,005	55,930	37,020	322,306	-	864,261

	Properties leased for own use HK$'000	*Leasehold improvements* HK$'000	*Office equipment and furniture* HK$'000	*Computers equipment* HK$'000	*Motor vehicles* HK$'000	*Total* HK$'000
Accumulated depreciation and impairment						
At 1 January 2019	-	13,840	6,035	16,743	726	37,344
Charge for the year	106,886	7,351	4,591	11,861	-	130,689
Write off and disposal	-	(4,818)	(959)	(166)	-	(5,943)
Exchange alignment	-	(91)	(28)	(51)	-	(170)
At 31 December 2019	106,886	16,282	9,639	28,387	726	161,920
At 1 January 2020	106,886	16,282	9,639	28,387	726	161,920
Charge for the year	121,436	10,698	6,169	13,081	-	151,384
Write off and disposal	(28,940)	(7,102)	(1,355)	(11,956)	(726)	(50,079)
Exchange alignment	-	282	147	156	-	585
At 31 December 2020	199,382	20,160	14,600	29,668	-	263,810
Net carrying amount						
At 31 December 2020	249,623	35,770	22,420	292,638	-	600,451
At 31 December 2019	276,079	21,074	21,555	176,620	-	495,328

Note: The Group has initially applied HKFRS 16 and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously as operating leases under HKAS17.

Right of use asset

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

	31 Dec 2020 HK$'000	*31 Dec 2019* HK$'000
Ownership interests in leasehold land and building held for own use with remaining lease term of:		
- Less than 10 years	249,623	276,079
Office furniture and equipment carried at depreciated cost	13,439	17,179
Computers equipment carried at depreciated cost	3,119	5,321
	266,181	298,579

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

	2020 HK$'000	*2019* HK$'000
Depreciation charge of right-of-use assets by class of underlying asset		
Properties leased for own use	121,436	106,886
Office furniture and equipment	4,231	2,802
Computers equipment	2,202	2,044
	127,869	111,732

	2020 HK$'000	*2019* HK$'000
Interest on lease liabilities	9,543	10,384
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	-	4,779
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	-	431

During the year, additions to right-of-use assets were HK$99,800,000 (2019: HK$113,007,000). 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 2020 are set out in notes 30 and 39, respectively.

As of 31 December 2020, there are no leases subject to variable lease payment arrangement.

19 Statutory deposits

	2020 HK$'000	*2019* HK$'000
Statutory deposits	5,721	3,243

The Group has deposited in the name of the Director of Accounting Services with a bank a sum of HK$1,551,000 (2019: HK$1,540,000) 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

	2020 HK$'000	*2019* HK$'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	30,074	9,308
Aggregate amounts of the Group's share of those associates'		
Profit from continue operation	303	142
Other comprehensive income	1,912	(167)
Total comprehensive income	2,214	(25)

An associate with carrying amount of approximately HK$19 million that was considered a material associate in 2019 is considered not material in 2020.

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* *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Yunfeng Asset Management Limited	Hong Kong	3,910,000 shares	100%	-	100%	Provision of assets management services
Yunfeng Securities Limited	Hong Kong	133,000,000 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*			*Principal activities*
			Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
YF Life Insurance Consultants Limited	Hong Kong	50,000 shares	69.8%	-	69.8%	Provision of agency services to non-life insurers
YF Life Investors Limited	Hong Kong	5,000,000 shares	69.8%	-	69.8%	Provision of general services
Beijing Yunfeng Universal Investment Consultancy Limited (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
Beijing Youyu Technologies Limited (note 3)	PRC	Registered capital RMB 4,000,000 Paid-up capital RMB1,600,000	100%	-	100%	Provision of internet and multimedia systems and application development
Shenzhen Youyu Smart Technologies Limited (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 US1 each	100%	-	100%	Fund management
Majik Cayman GP 2 Limited	Caymans Island	1 share of US1 each	100%	-	100%	Fund management

			Proportion of ownership interest			
Name of company	*Place of incorporation and business*	*Particular of issued shares/ registered and fully paid-up capital (note)*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
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. 45,695 common shares and 500,000 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 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 2020. The summarized financial information presented below represents the amounts including intangible assets identified on acquisition date before any inter-company elimination.

	2020 HK$'000	*2019* HK$'000
NCI percentage	30.2%	30.2%
Total assets	81,442,764	71,464,563
Total liabilities	(63,462,915)	(55,473,888)
Total net assets	17,979,849	15,990,675
Net assets attributable to NCI	5,429,915	4,829,184
Goodwill attributable to NCI	531,276	531,276
Carrying amount of NCI	5,961,191	5,360,460
Net earned premium and fee income	4,264,282	3,354,164
Profit for the year	1,094,939	897,827
Total comprehensive income	1,989,174	1,644,261
Profit allocated to NCI	330,672	359,131
Dividend paid to NCI	-	-
Cash flows from operating activities	2,641,621	2,062,354
Cash flows from investing activities	(5,513,177)	(8,454,453)
Cash flows from financing activities	2,644,761	3,923,824

22 Goodwill and other intangible assets

(a) Goodwill

	2020 HK$'000	*2019* HK$'000
Cost		
At 1 January	1,829,046	1,829,046
Additions	-	-
Written off	-	-
At 31 December	1,829,046	1,829,046
Accumulated impairment loss		
At 1 January	3,484	3,484
Charge for the year	-	-
Written off	-	-
At 31 December	3,484	3,484
Carrying amount		
At 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 its 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% (2019: 9%).

(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 2019	78,910	6,550	2,930	42,311	130,701
Additions	-	-	-	233	233
Written off and reclassified	-	(2,550)	-	-	(2,550)
Exchange alignment	-	-	-	(14)	(14)
At 31 December 2019 and 1 January 2020	78,910	4,000	2,930	42,530	128,370
Additions	-	-	-	45	45
Written off	-	-	-	(31,291)	(31,291)
Exchange alignment	-	-	-	49	49
At 31 December 2020	78,910	4,000	2,930	11,333	97,173
Accumulated amortisation and impairment					
At 1 January 2019	-	6,000	-	18,247	24,247
Charge for the year	-	-	-	8,827	8,827
Written off	-	(2,500)	-	-	(2,500)
Exchange alignment	-	-	-	(2)	(2)
At 31 December 2019 and 1 January 2020	-	3,500	-	27,072	30,572
Charge for the year	-	-	-	6,538	6,538
Written off	-	-	-	(23,468)	(23,468)
Exchange alignment	-	-	-	14	14
At 31 December 2020	-	3,500	-	10,156	13,656
Carrying amount					
At 31 December 2020	78,910	500	2,930	1,177	83,517
At 31 December 2019	78,910	500	2,930	15,458	97,798

As at 31 December 2020, the Group had two (2019: two) trading rights in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and one (2019: 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 (2019: 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 2020, 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

	2020 HK$'000	*2019* HK$'000
At 1 January	10,057,446	11,075,662
Amortisation for the year	(324,472)	(135,208)
	9,732,974	10,940,454
Effect of shadow accounting allocated to fair value reserve	(720,403)	(883,008)
At 31 December	9,012,571	10,057,446

24 Deferred acquisition costs

	2020			*2019*		
	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	1,111,489	17,491	1,128,980	224,457	6,002	230,459
Amount deferred	1,534,394	26,131	1,560,525	1,307,194	28,797	1,335,991
Amortisation for the year	(493,345)	983	(492,362)	(287,772)	494	(287,278)
	1,041,049	27,114	1,068,163	1,019,422	29,291	1,048,713
Effect of shadow accounting allocated to fair value reserve	(235,396)	(30,550)	(265,946)	(132,390)	(17,802)	(150,192)
At 31 December	1,917,142	14,055	1,931,197	1,111,489	17,491	1,128,980

The amount of deferred acquisition costs expected to be recognised as expense after more than one year is HK$1,459,912,000 (2019: HK$827,819,000).

25 Investments

2020	*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	20,608,849	2,540,509	21,503,917	44,653,275
Mortgage loans	-	-	6,420,273	6,420,273
	20,608,849	2,540,509	27,924,190	51,073,548
Equity securities:				
- Listed	-	287,363	-	287,363
- Unlisted (note (g))	78,029	23,758	-	101,787
	78,029	311,121	-	389,150
Fund Investment and others:				
- Unlisted (note (a))	-	2,557,605	-	2,557,605
Unit trusts:				
- Unlisted	-	8,787,401	-	8,787,401
Total	20,686,878	14,196,636	27,924,190	62,807,704
Market value of listed securities	-	287,363	-	287,363

2019	*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	16,040,615	2,571,245	18,511,569	37,123,429
Mortgage loans	-	-	6,881,023	6,881,023
	16,040,615	2,571,245	25,392,592	44,004,452
Equity securities:				
- Unlisted (note (g))	77,297	-	-	77,297
Fund Investment and others:				
- Unlisted (note (a))	-	2,511,204	-	2,511,204
Unit trusts:				
- Unlisted	-	8,229,290	-	8,229,290
Total	16,117,912	13,311,739	25,392,592	54,822,243
Market value of listed securities	-	-	-	-

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 set out in note 5. During the year, the Group has made an injection of approximately HK$18,693,000 to the joint venture. As of 31 December 2020, the carrying value of the jointly controlled entity amounted to approximately HK$107,000,000 (2019: HK$100,000,000).

(b) Investments of HK$7,985,059,000 (2019: HK$5,609,487,000) 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$11,517,210,000 (2019: HK$8,030,003,000) and the portion that is expected to be recoverable after more than one year is HK$51,290,494,000 (2019: HK$46,792,240,000).

(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).

	2020							*2019*						
	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 - impairment*	*Lifetime ECL credit - impaired*	*Total*	*12-month ECL*	*Lifetime ECL not credit - impairment*	*Lifetime ECL credit - impaired*	*12-month ECL*	*Lifetime ECL not credit - impairment*	*Lifetime ECL credit - impaired*	*Total*
Financial assets at amortised cost														
Unlisted debt securities	21,316,317	-	-	103,645	124,211	28,447	21,572,620	18,205,123	-	-	255,666	55,094	5,987	18,521,870
Mortgage loan	5,285,860	-	-	1,015,728	103,329	31,301	6,436,218	6,721,762	-	-	161,460	-	-	6,883,222
Gross carrying amount	26,602,177	-	-	1,119,373	227,540	59,748	28,008,838	24,926,885	-	-	417,126	55,094	5,987	25,405,092
Less: Loss allowance	(35,901)	-	-	(1,582)	(10,937)	(36,228)	(84,648)	(7,385)	-	-	(1,308)	(2,697)	(1,110)	(12,500)
Amortised cost	26,566,276	-	-	1,117,791	216,603	23,520	27,924,190	24,919,500	-	-	415,818	52,397	4,877	25,392,592
Financial assets at FVOCI (recycling)														
Financial assets at FVOCI (recycling)														
Unlisted debt securities gross carrying amount	13,639,898	-	-	2,606,625	208,559	62,087	16,517,169	11,808,079	-	-	4,053,320	165,540	40,068	16,067,007
Less: Loss allowance	(31,169)	-	-	(17,077)	(19,919)	(37,571)	(105,736)	(3,736)	-	-	(3,677)	(21,569)	(10,910)	(39,892)
Amortised cost	13,608,729	-	-	2,589,548	188,640	24,516	16,411,433	11,804,343	-	-	4,049,643	143,971	29,158	16,027,115
Carrying amount – fair value	17,518,955	-	-	2,814,967	230,026	44,901	20,608,849	11,797,533	-	-	4,039,827	164,743	38,512	16,040,615

Debt Securities at amortised cost:	*12-month ECL* HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Balance as at 1 Jan 2019	17,556	2,179	-	19,735
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(11,063)	518	1,110	(9,435)
Balance as at 31 Dec 2019	6,493	2,697	1,110	10,300
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	23,957	7,434	27,013	58,404
Balance as at 31 Dec 2020	30,450	10,131	28,123	68,704

Mortgage loan at amortised cost:	*12-month ECL* HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Balance as at 1 Jan 2019	1,114	-	-	1,114
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	1,086	-	-	1,086
Balance as at 31 Dec 2019	2,200	-	-	2,200
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	4,832	807	8,106	13,745
Balance as at 31 Dec 2020	7,032	807	8,106	15,945

Debt Securities at fair value through other comprehensive income	*12-month ECL* HK$'000	*Lifetime ECL not credit - impairment* HK$'000	*Lifetime ECL credit - impaired* HK$'000	*Total* HK$'000
Balance as at 1 Jan 2019	10,053	2,840	-	12,893
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(2,640)	18,729	10,910	26,999
Balance as at 31 Dec 2019	7,413	21,569	10,910	39,892
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	40,834	(1,650)	26,661	65,845
Balance as at 31 Dec 2020	48,247	19,919	37,571	105,737

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

	2020	*2019*
	HK$'000	HK$'000
Fixed maturities due in		
- 1 year or less	2,556,450	328,884
- 1 to 5 years	8,100,668	4,207,276
- 5 to 10 years	11,017,351	11,157,433
- More than 10 years	22,978,806	21,429,836
	44,653,275	37,123,429
Mortgage loans due in		
- 1 year	172,844	243,807
- 2 years	195,744	308,762
- 3 years	778,944	202,481
- 4 years	362,620	800,110
- 5 years	724,418	364,593
- More than 5 years	4,185,703	4,961,270
	6,420,273	6,881,023

(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$28,452,000 (2019: HK$26,334,000) 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 minimize 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. Dividend of HK$3,294,000 was received on this investment during the year (2019: HK$3,334,000).

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

	2020	*2019*
	HK$'000	HK$'000
Financial assets measured at FVPL		
Unlisted equity/partnership fund investment	1,814,439	1,569,168
Unlisted unit trust investment	871,781	1,078,639
Unlisted debt securities	2,547,879	2,544,432
Listed securities	287,363	-
	5,521,462	5,192,239

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 2020			
	Under HKFRS 9	*Overlay approach adjustments*	*Under HKFRS 9 (adjusted by overlay approach)*	*Under HKAS 39*
	HK$'000	HK$'000	HK$'000	HK $'000
Net realised and unrealised gains/(losses) of fair value through profit or loss financial asset under overlay adjustment on:				
- Unlisted partnership fund investment	62,982	(62,982)	-	-
- Unlisted unit trust investment and listed securities	89,404	(89,404)	-	-
- Unlisted debt securities	(32,967)	32,967	-	-
Total	119,419	(119,419)	-	-

	31 December 2019			
	Under HKFRS 9	*Overlay approach adjustments*	*Under HKFRS 9 (adjusted by overlay approach)*	*Under HKAS 39*
	HK$'000	HK$'000	HK$'000	HK $'000
Net realised and unrealised gains/(losses) of fair value through profit or loss financial asset under overlay adjustment on:				
- Unlisted partnership fund investment	(369)	369	-	-
- Unlisted unit trust investment	36,950	(36,950)	-	
- Unlisted debt securities	57,085	(57,085)	-	-
Total	93,666	(93,666)	-	-

26 Advance reinsurance premiums

Analysis of movement in advance reinsurance premiums

	2020 HK$'000	*2019* HK$'000
At 1 January	1,455,458	10,652
Other movements	(165,871)	1,444,806
At 31 December	1,289,587	1,455,458

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

27 Insurance and reinsurance receivables

	2020 HK$'000	*2019* HK$'000
Loans to policyholders	2,795	2,014
Direct premium receivables	4,581	4,743
Reinsurance receivables	3,748,377	1,572,786
	3,755,753	1,579,543

At 31 December 2020, none of the insurance and reinsurance receivables were past due or impaired. (2019: none)

At 31 December 2020, the amount of insurance and reinsurance receivables expected to be settled after more than one year is HK$3,467,147,000 (2019: HK$1,231,388,000).

28 Other accounts receivable and accrued income

	2020 HK$'000	*2019* HK$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	71,074	50,200
- Margin clients	10,673	11,386
- Clients for subscription of new shares in IPO	10,000	949
- Clearing house, brokers, fund managers and dealers	60,560	52,908
	152,307	115,443
Other accounts receivable arising from consultancy and advisory services	1,134	2,242
Other service fees receivables	7,228	9,504
	160,669	127,189
Less: allowance for credit losses	(1,791)	(2,743)
	158,878	124,446

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:

	2020 HK$'000	*2019* HK$'000
Current	154,912	121,976
Less than 1 month past due	1,711	1,796
1 to 3 months past due	2,033	74
More than 3 months past due	222	600
Amounts past due	3,966	2,470
	158,878	124,446

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 credit worthiness.

(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$3,965,000 (2019: HK$2,470,000) 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 2020 and 2019, no amount due from cash clients which are past due but not impaired represented client trades which are unsettled beyond the settlement date.

No other accounts receivable from corporate clients (2019: Nil) and amount of HK$3,965,000 of other fee receivable (2019: HK$2,470,000) which are past due but not impaired 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:

	2020 HK$'000	*2019* HK$'000
At 1 January	2,743	1,507
Provision for impairment loss recognised	156	1,236
Amount recovered during the year	(550)	-
Amount written off	(558)	-
At 31 December	1,791	2,743

Amount of HK$658,000 (2019: HK$502,000) relates to credit impaired other accounts receivable arising from the business of dealing in securities. HK$1,134,000 (2019: HK$2,241,000) relates to credit impaired other accounts receivable arising from the business of consultancy and advisory services.

(d) Balance with related parties

At 31 December 2020, the balance of other service fee receivables includes fund management fee of approximately HK$2,337,000 (2019: HK$132,000) due from a joint venture of the Group.

29 Other receivables, deposits and prepayment

	Note	*2020* HK$'000	*2019* HK$'000
Utility and rental deposits	(i)	46,549	42,662
Loans to agents and staff		19,723	32,379
Accrued investment income		524,004	421,719
Other receivable from non-controlling shareholders of a subsidiary		8,504	18,634
Prepayment, other deposits and receivables		265,483	107,744
Derivative financial instruments		99,028	12,605
		963,291	635,743
Less: provision for impairment of other receivable	(ii)	(8,652)	(8,232)
		954,639	627,511

Notes:

(i) The amount of utility and rental deposits expected to be recovered after more than one year is HK$37,575,000 (2019: HK$35,155,000).

(ii) Impairment of other receivables

Other receivable of HK$8,652,000 (2019: HK$8,232,000) 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:

	2020 HK$'000	*2019* HK$'000
At 1 January	8,232	8,976
Provisionof impairment loss recognised	4,291	-
Amount written off	(3,900)	(744)
Exchange impact	29	-
At 31 December	8,652	8,232

(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 balance - trust and segregated accounts

	Note	*2020* HK$'000	*2019* HK$'000
Bank balance - trust and segregated accounts			
Deposit with bank		747,995	478,619
Less: impairment allowance	(iii)	(154)	(154)
	(i)	747,841	478,465
Fixed bank deposits with original maturity over 3 months			
Deposit with bank		236,733	385,417
Less: impairment allowance	(iii)	-	-
		236,733	385,417
Cash and cash equivalent			
Deposit with bank	(ii)	150	300
Fixed bank deposits with original maturity less than 3 months		2,522,058	524,567
Cash at bank and in hand		1,534,640	1,644,998
Less: impairment allowance	(iii)	(114)	(114)
Cash and cash equivalent in the statement of financial position		4,056,734	2,169,751

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 period, the movement of 12-month ECL provision is as follows:

	2020 HK$'000	*2019* HK$'000
At 1 January	268	352
Reversal of impairment loss recognised	-	(84)
Amount written off	-	-
At 31 December	268	268

(iv) The Group has pledged fixed deposits of HK$309,648,000 (2019: HK$269,250,000) 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 31 December 2018	38,013,370	1,198,226	315,588	15,254	-	39,542,438
Adoption of HKFRS 16	-	-	-	308,301	-	308,301
At 1 January 2019	38,013,370	1,198,226	315,588	323,555	-	39,850,739
<u>Change from financing cash flow:</u>						
Proceeds from issue of preference share by a subsidiary	-	-	76,063	-	-	76,063
Payment made to lease liabilities	-	-	-	(116,471)	-	(116,471)
Policyholders' account deposits for investment contracts	4,931,169	-	-	-	-	4,931,169
Policyholders' account withdrawals for investment contracts	(1,729,217)	-	-	-	-	(1,729,217)
Drawdown of bank loans	-	1,406,800	-	-	-	1,406,800
Repayment of a bank loan	-	(1,106,800)	-	-	-	(1,106,800)
Other borrowing cost paid	-	(65,484)	-	-	-	(65,484)
Total change in financing cash flows	3,201,952	234,516	76,063	(116,471)	-	3,396,060
Drawndown of shareholder's loan settled directly outside of the Group as disclosed in (note 41)	-	-	-	-	1,561,444	1,561,444
Net change in lease obligation	-	-	-	113,008	-	113,008
Finance charge and effective interest expenses	-	66,016	-	10,384	2,618	79,018
Fair value change	-	-	(2,081)	-	-	(2,081)
Interest credited to policyholders' account balances	2,690,237	-	-	-	-	2,690,237
Cost of insurance charges	(632,696)	-	-	-	-	(632,696)
Administrative fees	(1,370,638)	-	-	-	-	(1,370,638)
Other reserve changes	(26,885)	-	-	-	-	(26,885)
Transfer to the other payable and accrual	-	-	-	(3,892)	(2,618)	(6,510)
At 31 December 2019	41,875,340	1,498,758	389,570	326,584	1,561,444	45,651,696

	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 2019 and 1 January 2020	41,875,340	1,498,758	389,570	326,584	1,561,444	45,651,696
Change from financing cash flow:						
Payment made to lease liabilities	-	-	-	(133,839)	-	(133,839)
Policyholders' account deposits	4,741,469	-	-	-	-	4,741,469
Policyholders' account withdrawals	(1,981,003)	-	-	-	-	(1,981,003)
Drawdown of bank loans	-	843,300	-	-	-	843,300
Repayment of a bank loan	-	(788,233)	-	-	-	(788,233)
Other borrowing cost paid	-	(57,870)	-	-	-	(57,870)
Total change in financing cash flows	2,760,466	(2,803)	-	(133,839)	-	2,623,824
Capitalisation of interest of shareholder's loan	-	-	-	-	79,633	79,633
Net change in lease obligation	-	-	-	89,857	-	89,857
Finance charge and effective interest expenses	-	57,548	-	9,543	-	67,091
Fair value change	-	-	(1,915)	-	-	(1,915)
Interest credited to policyholders' account balances	2,784,500	-	-	-	-	2,784,500
Cost of insurance charges	(647,173)	-	-	-	-	(647,173)
Administrative fees	(1,384,904)	-	-	-	-	(1,384,904)
Other reserve changes	(10,604)	-	-	-	-	(10,604)
Transfer to the other payable and accrual	-	-	-	(5,733)	-	(5,733)
At 31 December 2020	45,377,625	1,553,503	387,655	286,412	1,641,077	49,246,272

(b) Bank balances - trust and segregated account

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 balances – 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 2020, client money maintained in segregated accounts amounted to HK$747,841,000 (2019: HK$478,465,000).

31 Insurance contract provisions

	Note	*2020* HK$'000	*2019* HK$'000
Policyholders' deposits	(i)	40,913,580	37,556,895
Future policyholders' benefits	(ii)	13,358,343	8,639,426
Unearned revenue liability	(iii)	215,853	259,553
		54,487,776	46,455,874

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits

	2020 HK$'000	*2019* HK$'000
At 1 January	37,556,895	33,927,093
Premiums received during the year	4,397,264	4,576,745
Net fees and charges deducted from account balances	(1,977,403)	(1,943,268)
Interest credited to account balances	2,567,262	2,478,583
Redemptions due for payment in current year	(1,636,251)	(1,465,536)
Others movements	5,813	(16,722)
At 31 December	40,913,580	37,556,895

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits

	2020 HK$'000	*2019* HK$'000
At 1 January	8,639,426	5,573,418
Movement during the year	4,718,917	3,066,008
At 31 December	13,358,343	8,639,426

(iii) Unearned revenue liability

	2020 HK$'000	*2019* HK$'000
At 1 January	259,553	71,704
Amount deferred	780,168	812,177
Amortisation for the year allocated to consolidated income statement	(296,663)	(146,455)
	483,505	665,722
Effect of shadow accounting allocated to fair value reserve	(527,205)	(477,873)
At 31 December	215,853	259,553

(iv) The amount of insurance contract provisions expected to be settled after more than one year is HK$51,289,009,000 (2019: HK$43,136,864,000).

32 Investment contract liabilities

	Note	*2020* HK$'000	*2019* HK$'000
Policyholders' deposits	(i)	4,464,045	4,318,445
Future policyholders' benefits	(ii)	64,828	56,656
Unearned revenue liability	(iii)	(36,018)	(10,501)
		4,492,855	4,364,600

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2020 HK$'000	*2019* HK$'000
At 1 January	4,318,445	4,086,277
Contributions received during the year	276,474	294,362
Net fee and charges deducted from account balances	(49,204)	(55,043)
Interest credited to account balances	217,238	211,654
Redemptions due for payment in current year	(302,584)	(219,232)
Others movements	3,676	427
At 31 December	4,464,045	4,318,445

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2020 HK$'000	*2019* HK$'000
At 1 January	56,656	45,946
Movement during the year	8,172	10,710
At 31 December	64,828	56,656

(iii) Unearned revenue liability

Analysis of movement in unearned revenue liability:

	2020 HK$'000	*2019* HK$'000
At 1 January	(10,501)	3,824
Amount deferred	43,244	50,284
Amortisation for the year allocated to consolidated income statement	(923)	(358)
	42,321	49,926
Effect of shadow accounting allocated to fair value reserve	(67,838)	(64,251)
At 31 December	(36,018)	(10,501)

(iv) The amount of investment contract liabilities expected to be settled after more than one year is HK$4,263,004,000 (2019: HK$4,151,150,000).

33 Outstanding claims

	2020			*2019*		
	Gross HK$'000	*Reinsurers' share* HK$'000	*Net* HK$'000	*Gross* HK$'000	*Reinsurers' share* HK$'000	*Net* HK$'000
Outstanding claims	150,414	(55,443)	94,971	124,526	(48,349)	76,177
Claims incurred but not reported	33,746	-	33,746	37,387	-	37,387
	184,160	(55,443)	128,717	161,913	(48,349)	113,564
Amount expected to be settled within one year	184,160	(55,443)	128,717	161,913	(48,349)	113,564

Analysis of movements in outstanding claims:

	2020			*2019*		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January	161,913	(48,349)	113,564	123,823	(31,202)	92,621
Current year claims	703,372	(314,666)	388,706	722,878	(246,116)	476,762
Current year claims paid	(593,110)	271,388	(321,722)	(626,394)	207,461	(418,933)
Previous year claims paid	(84,374)	36,184	(48,190)	(63,797)	21,508	(42,289)
Movement in incurred but not reported reserve	(3,641)	-	(3,641)	5,403	-	5,403
Balance at 31 December	184,160	(55,443)	128,717	161,913	(48,349)	113,564

34 Reinsurance premium payables

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

35 Other accounts payable

	2020	*2019*
	HK$'000	HK$'000
Accounts payable		
- Cash and margin clients	851,095	554,471
- Clearing house, fund managers, brokers and dealers	18,438	24,074
	869,533	578,545

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$744,307,000 (2019: HK$496,572,000).

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

Balance with related parties

At 31 December 2020, accounts payable of approximately HK$15,606,000 (2019: HK$15,549,000) and HK$20,734,000 (2019: Nil) are payable 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

	2020 HK$'000	*2019* HK$'000
Accrued staff costs	100,464	106,125
Commission payables	255,406	204,791
Derivative financial instruments	151,788	20,366
Premium received in advance	1,621,389	1,583,983
Other payables and accruals	391,665	521,702
	2,520,712	2,436,967

All of the commission and other payables and derivative liabilities are expected to be settled within one year.

Balance with related parties

1) At 31 December 2020, accounts payable of approximately HK$22,507,000 (2019: HK$22,299,000) are payable to MassMutual International LLC ("MMI") who is a substantial shareholder of the Company and its affiliates.

2) At 31 December 2020, interest accrual of approximately HK$2,752,000 (2019: HK$2,618,000) 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 payable in the statement of financial position represents:

	2020 HK$'000	*2019* HK$'000
Provision for Hong Kong Profits Tax for the year	49,963	48,626
Provisional Profits Tax paid	(36,881)	(1,992)
	13,082	46,634
Balance of Profits Tax provision relating to prior years	-	4,913
	13,082	51,547
Macau Complementary Tax		
Balance of Complementary Tax provision for the year	-	-
Overseas Tax		
Balance of overseas provision for the year	811	539
	13,893	52,086
Amount of tax payable expected to be settled within one year	13,893	52,086
Amount of taxation payable expected to be settled after more than one year	-	-

(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	*Decelerated tax on expense/ expected credit loss incurred* HK$'000	*Net unrealised gain on available for sales financial instruments* HK$'000	*Total* HK$'000
Deferred tax liabilities/ (assets) arising from:							
At 1 January 2019	1,318,539	-	-	-	(184)	-	1,318,355
(Credited)/ charged to profit or loss	(51,155)	-	-	-	140	-	(51,015)
At 31 December 2019	1,267,384	-	-	-	(44)	-	1,267,340
At 1 January 2020	1,267,384	-	-	-	(44)	-	1,267,340
(Credited)/charged to profit or loss	(47,067)	(100)	-	-	-	-	(47,167)
Exchange impact	-	(6)	-	-	-	-	(6)
At 31 December 2020	1,220,317	(106)	-	-	(44)	-	1,220,167

At 31 December 2020, no deferred tax asset has been recognised in respect of the tax losses of HK$2,132 million (2019: HK$1,736 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$1,332 million (2019: HK$1,282 million) do not expire under current tax legislation.

38 Financial liabilities at fair value through profit or loss

	2020 HK$'000	*2019* HK$'000
Designated at fair value through profit or loss		
Preference share liability *(note 1)*	387,655	389,570
Third-party interests in consolidated funds *(note 2)*	230,906	240,999
	618,561	630,569

Note:

(1) By 31 December 2020, total number of 500,000 preference shares was issued under the agreement for a total proceed of US$50,000,000. The subsidiary is obliged to redeem all issued preference shares in 5 years starting from the initial issuance date of the preference shares. 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 a year from 31 December 2020.

(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 2020.

39 Lease liabilities

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

	31 December 2020		*31 December 2019*	
	Present value of the minimum lease payment	*Total minimum lease payment*	*Present value of the minimum lease payment*	*Total minimum lease payment*
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	133,607	140,000	128,147	135,248
After one but within 2 years	88,574	91,779	114,146	118,879
After 2 years but within 5 years	61,901	64,388	81,970	84,554
Over 5 years	2,330	2,342	2,321	2,345
	286,412	298,509	326,584	341,026
Less: finance cost		(12,097)		(14,442)
Present value lease liabilities		286,412		326,584

40 Bank borrowings

The bank loan was unsecured and repayable as follows:

	2020	*2019*
	HK$'000	HK$'000
Within one year	1,553,503	-
After 1 year but within 2 years	-	1,498,758

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 2020, 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

During the year, the term of the loan is extended for 3 years and the amount of loan interest accrual of HK$79,633,000 is capitalised as part of the loan principal on loan extension date. It becomes due after 2 year but within 5 years 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 2019	9,828,591	64,000	(83,230)	28,033	(1,022,993)	8,814,401
Equity settled share-based transactions	-	-	-	(6,541)	-	(6,541)
Total comprehensive income for the year	-	-	-	-	(245,684)	(245,684)
At 31 December 2019 and 1 January 2020	9,828,591	64,000	(83,230)	21,492	(1,268,677)	8,562,176
Issue of subscription shares	2,043,589	-	-	-	-	2,043,589
Equity settled share-based transactions	-	-	-	(12,019)	-	(12,019)
Total comprehensive income for the year	-	-	-	-	(409,130)	(409,130)
At 31 December 2020	11,872,180	64,000	(83,230)	9,473	(1,677,807)	10,184,616

(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 2020, 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 new Hong Kong Companies Ordinance (Cap. 622) (2019: nil).

(d) Dividend

No dividend was paid or proposed for the year ended 31 December 2020 (2019: 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:

	2020 Number of shares	*2020* Amount HK$'000	*2019* Number of shares	*2019* Amount HK$'000
Issued and fully paid:				
Balance brought forward	3,223,326,394	9,829,094	3,223,326,394	9,829,094
Issue of subscription shares	644,665,279	2,043,589	-	-
Balance carried forward	3,867,991,673	11,872,683	3,223,326,394	9,829,094

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.

Issue of subscription shares

As disclosed in the announcement of the Company dated 7 September 2020, the Company entered into subscription agreements with 1) Jade Passion in relation to the subscription of 484,665,279 ordinary shares in the share capital of the Company at the subscription price of HK$3.17 per ordinary share and 2) MMI in relation to the subscription of 160,000,000 ordinary shares in the share capital of the Company at the Subscription Price of HK$3.17 per ordinary share. At completion of the subscription on 29 October 2020, total of 644,665,279 ordinary shares were issued and total proceed of HK$2,043,588,934 was received in October 2020.

(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 Macau, 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 2020.

On the other hand, certain subsidiaries of the Group, Yunfeng Financial Markets Limited ("YFFM"), Yunfeng Securities Limited ("YFSL") and Yunfeng Asset Management Limited ("YFAM"), is 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. The awarded shares are awarded by issuing new ordinary shares. 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.

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 repurchase any Company ordinary share through Bank of Communications for the Group B Participant (Group B Grantees).

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.

(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* F = A - B - C
As of 31 December 2018	20,190,000	7,882,500	5,962,500	6,345,000
Movement for the year 2019				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	1,662,500	
4 May 2020	-	-	1,637,500	
As of 31 December 2019				
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	-	3,537,500	1,510,000
4 May 2020	5,047,500	-	3,512,500	1,535,000
Total	20,190,000	7,882,500	9,262,500	3,045,000
Movement for the year 2020				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	1,262,500	
4 May 2020	-	-	1,287,500	
As of 31 December 2020				
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

The awarded share remains outstanding due to service condition modification.

Grant date on 25 April 2018

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* F = A - B - C
As of 31 December 2018	2,850,000	712,500	37,500	2,100,000
Movement for the year 2019				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 31 December 2019				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	12,500	700,000
4 May 2020	712,500	-	12,500	700,000
4 May 2021	712,500	-	12,500	700,000
Total	2,850,000	712,500	37,500	2,100,000
Movement for the year 2020				
4 May 2018	-	-	-	
4 May 2019	-	-	187,500	
4 May 2020	-	-	187,500	
4 May 2021	-	-	187,500	
As of 31 December 2020				
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

(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	F=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 2020, the net assets of consolidated limited partnership fund entities as detailed in note 22 amounted to HK$673 million (2019: HK$706 million) with net carrying interest held by the Group being HK$442 million (2019: HK$464 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 2020, the Group has a total of HK$66.2 million (2019: HK$30.7million) 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$947,663,000 (2019: HK$1,575,509,000).

(ii) As at 31 December 2020, the Group has capital commitment to a joint venture for an amount of US$20 million with 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:

	2020 HK$'000	*2019* HK$'000
Short term employee benefits	10,499	37,718
Post employment benefits	5,318	796
Equity compensation benefits	-	5,368
	15,817	43,882

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

During the year, no (2019: HK$356,000) 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

	2020 HK$'000	*2019* HK$'000
Brokerage fee income *(note (i))*	1,180	35
Interest expense *(note (ii))*	-	247
Investment management fee paid *(note (iii))*	84,292	71,553
Transitional services fee paid *(note (iv))*	16,203	12,041
Policies endorsement fee paid *(note (v))*	5,170	5,285
Management fee and advisory fee income from a joint venture and co manager of the joint venture	2,094	2,951
Premiums and fee income *(note vi)*	-	1,343

Note:

(i) During the year ended 31 December 2020, 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.

During the year ended 31 December 2019, the Group provided brokerage services to (i) a company 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) During the year, the Group incurred interest expense for cash custodian transactions with key management personnel.

(iii) 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.

(iv) The fee is 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.

(v) 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.

(vi) During the year, the Group has not received premium and fee income from a company where the Company's chairman, Mr. Yu is a director and shareholder.

(vii) As of 31 December 2020, no investment commitment (2019: US$1 million) is made by key management personnel to the funds managed or jointly managed by the Group.

47 Company-level statement of financial position at 31 December 2020

	Note	*2020* HK$'000	*2019* HK$'000
Assets			
Interests in subsidiaries		11,729,265	10,050,744
Other receivable and prepayment		8,504	18,995
Cash and cash equivalents		640	90
Total assets		11,738,409	10,069,829
Liabilities			
Accrued expenses and other payables		290	8,895
Bank borrowings	40	1,553,503	1,498,758
Total liabilities		1,553,793	1,507,653
NET ASSETS		10,184,616	8,562,176
EQUITY			
Share capital	42(a)	11,872,180	9,828,591
Reserves	42(a)	(1,687,564)	(1,266,415)
TOTAL EQUITY		10,184,616	8,562,176

48 Immediate and ultimate controlling party

At 31 December 2020, 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 2020

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 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
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance Contracts*	1 January 2023

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 the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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:

Consolidated statement of financial position		*As at 31 December 2020*		
		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		5,854		606,305
Statutory deposits				5,721
Deferred tax assets			78	228
Investments in an associate				30,074
Goodwill and Intangible assets				1,909,079
Deferred acquisition costs and value of business acquired	447,616			11,391,384
Investments		(32,972)	48,841	62,823,573
Advance reinsurance premiums				1,289,587
Reinsurers' share of outstanding claims				55,443
Insurance and reinsurance receivables	(63,119)			3,692,634
Other account receivable and accrued income				158,878
Other receivables, deposit and prepayment	(2,793)		22	951,868
Bank balance - Trust and segregated accounts			155	747,996
Fixed bank deposits with original maturity over 3 months				236,733
Cash and cash equivalents			115	4,056,849
Total assets				87,956,352
Liabilities				
Insurance contract provisions	4,503,078			58,990,854
Investment contract liabilities	(4,492,855)			-
Outstanding claims				184,160
Reinsurance premium payables				321,989
Financial liability at fair value through profit or loss, other account payable and lease liabilities				1,774,506
Other payables	311,184			2,831,896
Tax payable				13,893
Deferred tax liabilities				1,220,317
Bank borrowings				1,553,503
Shareholder's loan				1,641,077
Total liabilities				68,532,195
Total net assets				19,424,157
Capital and reserves				
Share capital				11,872,683
Reserves	38,016	(13,334)	33,235	1,565,811
Non-controlling interest	22,281	(13,784)	15,975	5,985,663
Total equity				19,424,157

Consolidated statement of financial position	*As at 31 December 2019*			
	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		8,657		503,985
Statutory deposits				3,243
Deferred tax assets			78	122
Investments in an associate				27,860
Goodwill and Intangible assets				1,923,360
Deferred acquisition costs and value of business acquired				11,644,004
Investments	457,578	(36,596)	12,499	54,798,146
Advance reinsurance premiums				1,455,458
Reinsurers' share of outstanding claims				48,349
Insurance and reinsurance receivables	(65,997)			1,513,546
Other account receivable and accrued income				124,446
Other receivables, deposit and prepayment	(2,281)		22	625,252
Bank balance - Trust and segregated accounts			155	478,620
Fixed bank deposits with original maturity over 3 months				385,417
Cash and cash equivalents			115	2,169,866
Total assets				75,701,674
Liabilities				
Insurance contract provisions	4,381,059			50,836,933
Investment contract liabilities	(4,364,600)			-
Outstanding claims				161,913
Reinsurance premium payables				529,562
Financial liability at fair value through profit or loss, other account payable and lease liabilities				1,535,698
Other payables	331,299			2,768,266
Tax payable				52,086
Deferred tax liabilities				1,267,384
Bank borrowings				1,498,758
Shareholder's loan				1,561,444
Total liabilities				60,212,044
Total net assets				15,489,630
Capital and reserves				
Share capital				9,829,094
Reserves	24,925	(13,947)	7,869	292,451
Non-controlling interest	16,617	(13,992)	5,000	5,368,085
Total equity				15,489,630

Consolidated income statement	*For the year ended 31 December 2020*			
		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				7,723,441
Premiums ceded to reinsurer	320,018			(2,614,951)
Net premium and fee income				5,108,490
Change in unearned revenue liability	64,389			(461,436)
Net earned premium and fee income				4,647,054
Brokerage commission, interest and other service income				33,944
Subscription, management and rebate fee income				5,432
Consultancy and advisory fee				-
Net investment income and other income	(107,776)	(140,893)	70,897	6,211,347
Overlay adjustment		119,419		-
Reinsurance commission and profit	(10,591)			86,710
Total income				10,984,487
Benefits, losses and expenses				
Net policyholders benefit	(15,984)			(3,288,821)
Commission and related expenses				(1,349,851)
Management and other expenses	(13,369)	(2,803)		(956,218)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(118,247)			(4,101,645)
Total benefits, losses and expenses				(9,696,535)
Finance cost				(170,385)
Share of result of in associates				303
Profit before taxation				1,117,870
Tax credit				(3,823)
Profit after taxation				1,114,047
Profit attributable to:				
Equity shareholders of the Company	82,672	(16,685)	49,486	733,788
Non-controlling interests	35,768	(7,592)	21,411	380,259
				1,114,047

Consolidated income statement	*For the year ended 31 December 2019*			
		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				6,016,075
Premiums ceded to reinsurer	331,972			(1,616,031)
Net premium and fee income				4,400,044
Change in unearned revenue liability	11,411			(704,238)
Net earned premium and fee income				3,695,806
Brokerage commission, interest and other service income				18,566
Subscription, management and rebate fee income				8,850
Consultancy and advisory fee				1,060
Net investment income and other income	(228,671)	(89,582)	18,566	4,614,645
Overlay adjustment		93,666		-
Reinsurance commission and profit	(10,945)			67,259
Total income				8,406,186
Benefits, losses and expenses				
Net policyholders benefit	(17,370)			(3,213,922)
Commission and related expenses				(1,199,847)
Management and other expenses	(17,022)	(2,310)		(1,020,770)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(27,706)			(2,190,919)
Total benefits, losses and expenses				(7,625,558)
Finance cost				(103,488)
Share of result of in associates				(1,080)
Profit before taxation				676,060
Tax credit			140	839
Profit after taxation				676,899
Profit attributable to:				
Equity shareholders of the Company	25,002	3,040	11,246	294,907
Non-controlling interests	16,667	(1,266)	7,460	381,992
				676,899

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.

51 Comparative figures

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

52 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2020 and 31 December 2019.

53 Non - adjusting events after the reporting period

The bank borrowings of the Group amounted to HK$1,553,503,000 as of 31 December 2020 was fully repaid in March 2021, with the funding partially from the drawdown of a new bank borrowing facility through refinancing, which is unsecured and due 3 years after the facility agreement date.

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

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 2020 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

	2020 HK$'000	*2019* HK$'000	*2018* HK$'000	*2017* HK$'000	*2016* HK$'000
RESULTS					
Premiums and fee income	7,723,441	6,016,075	761,673	-	-
Brokerage commission, interest and other service income	33,944	18,566	7,118	6,163	3,846
Subscription, management and rebate fee income	5,432	8,850	9,978	3,791	-
Consultancy and advisory income	-	1,060	13,092	11,110	42,274
Profit/(loss) before taxation	952,810	614,051	(181,296)	(378,168)	(324,869)
Taxation	(3,823)	699	41,791	(1,138)	8,327
Profit/(loss) for the year	948,987	614,750	(139,505)	(379,306)	(316,542)
Attributable to:					
Equity shareholder of the company	618,315	255,619	(195,612)	(379,054)	(316,688)
Non-controlling interest	330,672	359,131	56,107	(252)	146
Profit/(loss) for the year	948,987	614,750	(139,505)	(379,306)	(316,542)
Basic (loss)/earnings per share *(HK$)*	0.19	0.08	(0.08)	(0.16)	(0.13)
ASSETS AND LIABILITIES					
Property and equipment	600,451	495,328	133,946	17,035	21,418
Goodwill and intangible assets	1,909,079	1,923,360	1,932,016	36,110	21,512
Value of business acquired	9,012,571	10,057,446	11,075,662	-	-
Interest in associates	30,074	27,860	64,846	-	-
Investments	62,807,704	54,822,243	43,632,718	898,134	310,123
Other assets	13,192,676	8,001,207	7,048,729	4,251,766	4,572,544
Total liabilities	(68,210,788)	(59,864,286)	(48,533,891)	(1,063,713)	(481,474)
	19,341,767	15,463,158	15,354,026	4,139,332	4,444,123
Share capital	11,872,683	9,829,094	9,829,094	4,629,094	4,499,548
Reserves	1,507,893	273,604	(593,702)	(489,762)	(56,532)
	13,380,576	10,102,698	9,235,392	4,139,332	4,443,016
Non-controlling interests	5,961,191	5,360,460	6,118,634	-	1,107
Total equity	19,341,767	15,463,158	15,354,026	4,139,332	4,444,123

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
"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 2020
"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
Zhang Ke
Executive Director, Vice Chairman and Chief Executive Officer

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Mr. Zhang Ke (who is Vice Chairman, Chief Executive Officer and executive director), Ms. Hai Olivia Ou and Mr. Huang Xin (who are executive directors), Mr. Adnan Omar Ahmed and Mr. Michael James O'Connor (who are non-executive directors), and Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng (who are independent non-executive directors).