Yunfeng Financial Group Limited

雲鋒金融集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "**Board**") of Yunfeng Financial Group Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. The unaudited condensed consolidated interim results have been reviewed by the Company's audit committee and the Company's independent auditor.

Corporate information

Board of Directors

Chairman

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised representatives

Mr. Fang Lin
Mr. Chan Man Ko

Company secretary

Mr. Chan Man Ko

Auditor

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

Bankers

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

Share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,

17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

Registered and principal office

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

Website

www.yff.com

Stock code

376

Management discussion and analysis

The board of directors (the "Board") of Yunfeng Financial Group Limited (the "Company") submit herewith the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 (the "First Half of 2023", "1H 2023" or the "Period"), together with the comparative figures for the corresponding period in 2022 (the "Prior Period" or "1H 2022").

Overview

In the First Half of 2023, economic growth and corporate earnings in developed countries slowed down significantly but better than expected, while the Hong Kong market, which was heavily influenced by geopolitical conflicts, performed sluggishly. In view of the challenges and opportunities during the economic recovery, the Group implemented its business plan in an effective manner, while actively seeking suitable business opportunity under the current market conditions to expand source of revenue and enhance the Shareholders' value.

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

For the Period, the Group adopted the new accounting standard HKFRS 17 *Insurance Contracts* to present condensed consolidated financial statements in accordance with the related requirements with Prior Period comparatives restated. The adoption of HKFRS 17 is an accounting change with no impact on the underlying economics of our business. With the accounting change for the Period, the Group's insurance revenue amounted to HK$1,257 million, representing an increase of 3% compared to that of HK$1,221 million for the Prior Period. The Group's consolidated profit amounted to HK$267 million compared to consolidated loss of HK$496 million (as restated) for the Prior Period. The net profit attributable to equity shareholders of the Company amounted to HK$138 million compared to a net loss attributable to equity shareholders of the Company of HK$482 million (as restated) for the Prior Period. The net profit attributable to equity shareholders of the Company for the Period was mainly due to the fair value loss of the Group's investments having significantly decreased as compared to the same period last year.

Financial result review

Significant financial information

Consolidated profit and loss analysis for the period ended 30 June, HK$ million

Income	*2023*	*2022* (restated)	*Change %*
Net operating income	498	466	7
Net profit / (loss) attributable to the owners	138	(482)	NA
Basic earnings / (loss) per share (HK$) (*Note 1*)	0.04	(0.13)	NA
Interim dividend proposed per share	-	-	NA

Consolidated financial position analysis, HK$ million

	At 30 June 2023	*At 31 December 2022* (restated)	*Change %*
Total assets	86,176	81,769	5
Total equity	16,355	16,262	1
Owner’s equity	11,020	11,007	-
Owner’s equity per share (HK$) (*Note 2*)	2.85	2.85	-

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

Note 2: The denominator is total issued shares.

Note 3: Certain comparative figures are restated due to adoption of HKFRS 17.

Financial result review (continued)

<u>Analysis on profit for six months period ended 30 June, HK$ million</u>

	2023	*2022* (restated)	*Change %*
YF Life segment net operating income	540	531	2
Other financial services and corporate segment operating loss	(42)	(65)	(35)
Net operating income	498	466	7
Adjust for the following profit or loss and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate related to insurance business	(125)	(652)	(81)
- Investment return related to other financial service business	(34)	(299)	(89)
- Staff share award amortisation reversal	2	-	NA
- Finance costs *(Note 2)*	(86)	(63)	37
- Other items *(Note 3)*	(8)	(27)	(70)
- Consolidation adjustments *(Note 4)*	20	80	(75)
Profit / (loss) for the period	267	(495)	NA
Less: non-controlling interests	(129)	13	NA
Net profit / (loss) attributable to the owners	138	(482)	NA

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

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

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

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

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

Financial result review (continued)

<u>Changes in owner's equity</u>

HK$ million

	2023
Balance at 1 January (as previously reported)	14,794
Adoption of new accounting standard (note)	1,468
Balance at 1 January (as restated)	16,262
Profit for the Period	267
Others comprehensive income and others	(174)
Balance at 30 June	16,355
Attributable to:	
- Equity shareholders of the Company	11,020
- Non-controlling interests	5,335
Total equity	16,355

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

Business review

<u>Insurance business review</u>

To facilitate a more thorough and comprehensive review of the insurance business, YF Life, related financial data below is presented on a half year basis and excluded the fair value accounting adjustments made on the acquisition, intragroup consolidation adjustment and transaction elimination. Such basis is considered being able to provide reader with more relevant information on the business performance of the insurance business segment operating results.

Business review (continued)

Overview

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

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

As of 30 June 2023, the tied agency force consisted of approximately 3,121 (31 December 2022: 3,204) agents in Hong Kong and Macao. In addition to tied agency force, we also utilise brokers and agency intermediaries as well as banks and other financial institutions to distribute insurance products. The insurance business division has approximately 482 (31 December 2022: 511) employees and more than 534,000 (31 December 2022: 529,000) in-force individual policies.

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

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

Business review (continued)

Non HKFRS supplementary financial information

Total premium and fee income

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

	For the six months period ended 30 June		*%*
	2023 HK$ million	*2022* HK$ million	
Total premium and fee income reported under the IO	6,469	5,695	14

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

Business review (continued)

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 six months period ended 30 June			
	2023		*2022*	
	HK$ million	%	HK$ million	%
Hong Kong	3,949	61	3,279	58
Macao	2,520	39	2,416	42
	6,469	100	5,695	100

(ii) By distribution channel

	For the six months period ended 30 June					
	2023 HK$ million			*2022* HK$ million		
	Hong Kong	Macao	Total	Hong Kong	Macao	Total
Tied agency	2,271	611	2,882	2,244	616	2,860
Brokers and non-tied agency	1,374	808	2,182	736	449	1,185
Banks and other financial institutions	304	1,101	1,405	299	1,351	1,650
	3,949	2,520	6,469	3,279	2,416	5,695

(iii) By product type

	For the six months period ended 30 June					
	2023 HK$ million			*2022* HK$ million		
	Hong Kong	Macao	Total	Hong Kong	Macao	Total
Regular premium-First year	1,003	359	1,362	290	1,224	1,514
Regular premium-Renewal	2,711	2,131	4,842	2,770	1,131	3,901
Single premium	233	28	261	217	60	277
Fee income	2	2	4	2	1	3
	3,949	2,520	6,469	3,279	2,416	5,695

Business review (continued)

Embedded value and value of new business

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

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

The embedded value of the insurance business as at 30 June 2023 is HK$20,132 million (31 December 2022: HK$20,587 million) with breakdown as below.

HK$ million

	As at 30 June 2023	*As at 31 December 2022*	*Change %*
Adjusted Net Worth ("ANW") *(Note 1)*	9,454	8,942	6
Value of in-force ("VIF") business after cost of capital *(Note 2)*	10,678	11,645	(8)
Embedded value	20,132	20,587	(2)

Business review (continued)

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

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

Note 3 Below breakdown shows the information on the growth of embedded value of insurance business over the past twelve months period:

HK$ million

	As at 30 June 2023	*As at 30 June 2022*	*Change %*
Adjusted Net Worth ("ANW")	9,454	7,631	24
Value of in-force ("VIF") business after cost of capital	10,678	11,205	(5)
Embedded value	20,132	18,836	7

The new business value of the insurance business for the six months period ended 30 June 2023 is HK$603 million compared to that of HK$294 million as of the same period last year.

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

HKFRS financial information

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

	For the six months period ended 30 June		
	2023 HK$ million	*2022* HK$ million (restated)	*Change %*
Insurance revenue *(note a)*	1,257	1,222	3
Insurance service expenses *(note b)*	(1,011)	(946)	7
Net (expenses) / income from reinsurance contracts	(1)	7	NA
Insurance service result *(note c)*	245	283	(13)
Investment return	1,468	(926)	NA
Net finance (expenses) / income from insurance contracts *(note d)*	(1,090)	667	NA
Net finance income from reinsurance contracts *(note d)*	47	29	62
Movement in investment contract liability	(116)	(102)	14
Net financial result	309	(332)	NA
Revenue from investment management services and other income	42	44	(5)
Other operating expenses *(note e)*	(113)	(97)	16
Profit / (loss) before taxation	483	(102)	NA
Taxation	(74)	(21)	2.5 times
Profit / (loss) after taxation	409	(123)	NA

Note a: The amount reflects the consideration which the insurer expects to earn for the service provided which is not equal to premium received in the period.

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

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

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

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

Net operating income

For management decision making and internal performance management purpose, the Group refers to the net operating income ("NOI") representing profit generate from core business activities for the Period increase by 2% to HK$540 million.

	For the six months period ended 30 June		
	2023 HK$ million	*2022* HK$ million (restated)	*Change %*
Insurance service result (Note 1)	240	276	(13)
Investment result (Note 2)	455	345	32
Others (Note 3)	(155)	(90)	72
Net operating income	540	531	2
Adjust for the following profit or loss and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate (Note 4)	(125)	(652)	(81)
- Other transactions (Note 5)	(6)	(2)	2 times
Profit / (loss) for the period	409	(123)	NA

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

	For the six months period ended 30 June		
	2023 HK$ million	*2022* HK$ million	*Change %*
Net CSM release	300	307	(2)
Impact of variances and risk adjustment net of reinsurance result	(60)	(31)	93
Insurance service result	240	276	(13)

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

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

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

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

Note 5 Other transactions adjustments represent the impact which management consider should be separately disclosed to enable better understanding of NOI. e.g. the implementation and maintenance cost of HKFRS 17.

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 30 June 2023 HK$ million	*As at 31 December 2022* HK$ million (restated)
Investments	70,384	65,741
Cash and deposits	3,009	3,381
Reinsurance contract assets	6,513	6,432
Other assets	2,248	2,042
Total assets	82,154	77,596
Insurance contract liabilities	59,006	55,054
Investment contract liabilities	5,271	5,205
Other liabilities	1,741	1,464
Total liabilities	66,018	61,723
Net assets	16,136	15,873

As at 30 June 2023 and 31 December 2022, the asset allocation of the investment portfolio is restated due to the first time adoption of the new accounting standard HKFRS 9 *Financial Instruments*. Debt securities, mortgage loans, equity securities and unit trusts and investment policyholder plans related securities are approximately 76%, 9%, 4% and 11% of the total investments respectively. As at 30 June 2023, 97.2% (31 December 2022: 96.8%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. As at 30 June 2023, 89.1% (31 December 2022: 89.3%) of the mortgage loans are investment grade rated (i.e. BBB- or above) as assessed by internal rating analysis with the support from external investment manager using similar credit rating methodology from reputable credit rating agencies.

As at 30 June 2023, the total assets under management ("AUM") of insurance business including those managed through non-consolidated entities like MPF schemes amounted to HK$78,145 million (31 December 2022: HK$73,964 million).

Investment assets

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

	As at 30 June 2023 HK$ million	*As at 31 December 2022* HK$ million
Debt securities	58,737	55,495
Mortgage loans	5,559	5,790
Equity securities	2,522	2,624
Cash for investment	1,172	728
	67,990	64,637

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

	For the six months period ended 30 June	
	2023 HK$ million	*2022* HK$ million
Interest income and others	1,309	1,143
Dividend income	43	145

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

Insurance contract liabilities and reinsurance assets

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

	As at 30 June 2023 HK$ million	*%*	*As at 31 December 2022* HK$ million	*%*
Fulfilment cashflow	45,173	86	41,318	85
Net CSM	7,320	14	7,304	15
Net balance	52,493	100	48,622	100
Comprised of:				
Insurance contract liabilities	59,006		55,054	
Reinsurance contract assets	(6,513)		(6,432)	
	52,493		48,622	

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

	Notes	*1H 2023* HK$ million	*2H 2022* HK$ million	*1H 2022* HK$ million
CSM Value as at 1 January/1 July		7,304	7,461	7,619
New business CSM	a	528	674	424
Expected unwind	b	76	47	44
Economic variances	c	8	(353)	(151)
Experience variances	d	(313)	(196)	(195)
Exchange rate impact		17	(23)	27
CSM release	e	(300)	(306)	(307)
CSM Value as at 30 June /31 December		7,320	7,304	7,461

Note

a) It represents the effect of new contracts brought to CSM for the Period.

b) It represents the effect of interest accreted on CSM which is measured at weighted average of discount rate of all insurance contract portfolio applied the general measurement model at initial recognition.

c) It represents the impact of economic variance and assumption change. Economic variance and assumption change mainly related to financial related adjustment including underlying market price change. The negative variance in 2022 is mainly caused by the impact of drop in underlying investment value of the products using variable fee approach. The market performance is better in 1H 2023.

d) It represents the effect of experience adjustments and assumption update from 1) arising from premiums received in the period, including any related cash flows such as insurance acquisition cash flows that relate to future service, 2) changes in estimates of the present value of future cashflow of liabilities of remaining coverage, 3) difference between any investment component expected to become payable and the actual amount becomes payable in the period, 4) change of risk adjustment for non-financial risk that related to the future service. The change in 2022 is mainly due to adjustment on the combined impact of premium, claim and lapse experience. For 1H 2023, it is mainly related to updates of some operating assumptions.

e) The release of net CSM is based on coverage units, a function of quantity of benefit provided and expected coverage period, provided for the period of the group of contracts. The CSM release rate throughout 1H 2023 remains stable compared with 1H 2022 and the second half of 2022 (“2H 2022”).

Key operational data of the insurance division

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

	As at 30 June 2023	*As at 31 December 2022*
Number of employees		
- Hong Kong	443	472
- Macao	39	39
Number of tied agents		
- Hong Kong	2,209	2,250
- Macao	912	954
Number of brokers and non-tied agents	512	509
Number of bancassurance partners	5	5
Expenses ratio *(Note 1)*	7.1%	8.0%

Note:

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

Financial strength and solvency margin

During the period ended 30 June 2023, our insurance business has strictly adhered to the regulatory minimum capital requirement as determined at the relevant time in accordance with the IO and maintain sufficient available capital for operation purpose.

Other financial service business

During the Period, securities business was exposed to continuous downward pressure of the market condition. We will continue to play a group linkage role in the vigorous development of building wealth management teams. We actively promoted the development of the Group's securities business and insurance business by adopting a broker model, while improving the market research capabilities within the departments to provide support for the sales team.

During the Period, the employee stock ownership plan (the "ESOP") administration service division have remained stable. The team will continue to enhance the service infrastructure to improve the functionality of the existing system and optimise operation efficiency. The ESOP administration service will continue to play a key role in the long-term development of the Group's securities brokerage and wealth management businesses.

During the Period, the financial technology business continued to promote the Company's strategic adjustments, accelerated system optimisation and reduced overall costs.

Prospect

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

Liquidity and financial resources

As at 30 June 2023, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK$4,065 million (31 December 2022: HK$4,173 million). As at 30 June 2023, the Group has HK$1,397 million (31 December 2022: HK$1,393 million) bank borrowing outstanding and HK$1,641 million (31 December 2022: HK$1,641 million) shareholder's loan outstanding. The Group's gearing ratio was 15.25% (31 December 2022 (restated): 15.24%), 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 Period are set out in the statement of changes in equity to the condensed consolidated interim financial statements.

Foreign exchange risk

The Group has assets and liabilities denominated in currencies other than Hong Kong dollar and that are subject to fluctuation in foreign exchange amounts in the different currencies. The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its investments and bank balances in multi currencies. Management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise as set out in note 4 to the condensed consolidated interim financial statements.

Material acquisitions and disposals of subsidiaries and associates

The Group did not have any material acquisitions or disposals of subsidiaries and associates during the Period.

Charges on assets

At the end of the Period, the Group did not have any charges on assets, other than security deposits of HK$23,663,000 (31 December 2022: HK$23,837,000) for banking facilities, HK$18,066,703,000 of investments together with HK$888,414,000 of fixed bank deposit (31 December 2022: HK$16,508,677,000 of investments together with HK$856,494,000 of fixed bank deposits) 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 30 to the condensed consolidated interim financial statements.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023 and 31 December 2022.

Staffing and remuneration

As at 30 June 2023, the Group employed 532 (31 December 2022: 603) full-time employees mainly located in Hong Kong, Macao and the People's Republic of China and stringently abided by the relevant labour laws and regulations. To foster a motivated and skilled working team, the Group provides on-the-job training and competitive remuneration packages including salaries and discretionary bonuses for employees.

The remuneration policy and package, including the share options and share awards (if any), of the Group's employees are maintained at market level and are reviewed annually by the management. There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 31 December 2022.

Dividend

The board did not declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Use of proceeds from issue of subscription shares

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

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

Use of proceeds from issue of subscription shares (continued)

The table below sets out the actual application of net proceeds of the Issue up to 30 June 2023:

	Use of proceeds HK$ million	*Unutilised proceeds up to 31 December 2022* HK$ million	*Actual usage from 1 Jan 2023 to 30 June 2023* HK$ million	*Unutilised proceeds up to 30 June 2023* HK$ million	*Expected timeline for utilising the remaining net proceeds*
Strategic investment (note 1)	1,224.6	1,224.6	-	1,224.6	Expected to be fully utilised on or before 31 December 2024
Asset management business (note 2)	306.1	-	-	-	-
Securities brokerage business (note 3)	306.2	-	-	-	-
Working Capital (note 4)	204.1	-	-	-	-
Total	2,041.0	1,224.6	-	1,224.6	

Notes:

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

2. mainly utilised on asset management platform for launching the financial products from time to time, in order to achieve positive synergies between the Company's capital management and growth of its asset management business, and facilitate external fundraising for such products.

3. mainly utilised on the securities brokerage business (i) when more cash is required to be injected into the business to increase its liquid capital resources in accordance with the increased trading volumes; and (ii) the securities financing business when more cash is required to be injected into the business to support higher demand for IPO loans or margin financing transactions.

4. mainly utilised on general working capital which covers expenses incurred in the ordinary course of business of the Group, including but not limited to manpower, rental expenses, data license and network expenses and office equipment expenses.

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

Events after reporting period

Details of events after reporting period are set out in note 33 to the condensed consolidated interim financial statements.

Embedded Value

1. Background

The Group mainly consists of two major segments including life insurance business and other financial services in the areas of investment holding, securities brokerage, asset management, 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. 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.

The Group has appointed PricewaterhouseCoopers Limited ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 30 June 2023 are consistent with standards generally adopted by insurance companies in Hong Kong and the preparation basis adopted for the Embedded Value as at 31 December 2022.

3. 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.

4. Embedded value of YF Life

4.1 Embedded value

	As at 30 June 2023 HK$ million	*As at 31 December 2022* HK$ million
Adjusted Net Worth	9,454	8,942
Value of in-force business before cost of capital	13,184	13,960
Cost of capital	(2,506)	(2,315)
Embedded value	20,132	20,587
Attributable to:		
Owners of the Company	14,052	14,370
Non-controlling interests	6,080	6,217
Embedded value	20,132	20,587

4.2 New business value

	For the past 6 months as of 30 June 2023 HK$ million	*For the past 6 months as of 30 June 2022* HK$ million
New Business Value after cost of capital	603	294

The new business value for the past 6 months as of 30 June 2023 is HK$603 million, an increase of HK$309 million or 105%, from HK$294 million over the same period last year. The growth is primarily driven by a significant increase in annual premium equivalent ("APE") (excluding short-term endowment products) amounted to HK$1.639 billion, which has risen by 167% over the same period last year.

Other Information

Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the company or any associated corporations

As at 30 June 2023, the interests and short positions of each director of Yunfeng Financial Group Limited (the "Company") (the "Director") and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, or known to the Company, were as follows:

Long positions in the ordinary shares of the Company ("Shares") and the underlying Shares:

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

Note:

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

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

Name of Associated Corporation	**Name of Director**	**Capacity/ Nature of Interests**	**Number of Shares held in Associated Corporation**	
			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%

Note 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.

Note 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 30 June 2023, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

Long-term incentive schemes

The Company has adopted the share option scheme and share award schemes to recognise the contributions of certain employees or Directors and help to retain them for the Group's operations and further development.

Share Option Scheme

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

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

As at 1 January 2023 and 30 June 2023, the total number of share options that could be granted is 386,799,167, representing approximately 10% of the total Shares in issue on the date of adoption of the Share Option Scheme (i.e. 28 June 2022) and as of the date of this announcement. Details and other principal terms of the Share Option Scheme are set out in the circular of the Company dated 2 June 2022.

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

Long-term incentive schemes (continued)

Share Award Schemes

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

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

The maximum number of shares can be issued or purchased under the 2016 Share Award Scheme and the 2014 Share Award Scheme is 10% of the Shares in issue from time to time (i.e. 386,799,167 Shares, representing 10% of total issued Shares as at the date of this announcement). As at 1 January 2023 and 30 June 2023, the total number of Shares which is available for being further issued under the 2016 Share Award Scheme and the 2014 Share Award Scheme (i.e., 353,478,928 Shares) represents 9.14% of total issued Shares as at the date of this announcement.

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 announcement, a total of 9,330,239 Shares have been awarded under the 2014 Share Award Scheme, representing about 0.24% of the total issued Shares as at the date of this announcement. There was no movement for the Shares awarded under the 2014 Share Award Scheme during the Period. During the Period, no Shares had been awarded and no Shares had been vested, cancelled or lapsed under the 2014 Share Award Scheme. Further details of the 2014 Share Award Scheme are set out in Note 28 to the condensed consolidated interim financial statement.

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 announcement, 43,040,000 Shares have been awarded pursuant to the 2016 Share Award Scheme, representing about 1.11% of the total Shares in issue as at the date of this announcement, together with the Shares awarded under the 2014 Share Award Scheme, in aggregate representing about 1.35% of the total Shares in issue as at the date of this announcement. During the Period, no Shares had been awarded under the 2016 Share Award Scheme. The movement of the Shares awarded under the 2016 Share Award Scheme during the Period and further details of the 2016 Share Award Scheme are set out in Note 28 to the condensed consolidated interim financial statement.

Directors' rights to acquire shares

Save as disclosed in this announcement, at no time during the six months ended 30 June 2023 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 means of the acquisition of the shares or debentures of, the Company or any other body corporate.

Substantial shareholders' and other persons' interests in shares

As at 30 June 2023, the Company had been notified of the following substantial shareholders' and other persons' interests, being 5% or more of the Company's issued shares that are recorded in the register under Section 336 of the SFO.

		Number of Shares held	
Name of Substantial Shareholder	***Capacity/ Nature of interests***	***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%

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

Note 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 30 June 2023, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under divisions 2 and 3 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of the listed securities of the company

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Corporate governance

During the six months ended 30 June 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the Listing Rules.

Code of conduct for securities transactions

The Company has adopted the code of conduct regarding director's securities transactions with terms no less exacting than the required standard set out in the Model Code. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the six months ended 30 June 2023.

Audit committee

The audit committee of the Company is chaired by Mr. Chu Chung Yue, Howard, with members of Mr. Qi Daqing and Mr. Xiao Feng. The audit committee of the Company has adopted the terms of reference which are in line with the CG Code.

This unaudited condensed consolidated interim financial results and report of the Group for the six months ended 30 June 2023 have been reviewed by the audit committee of the Company.

Changes of directors' information

The change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

With effect from 10 July 2023, Mr. Fang Lin has been appointed as executive director and chief executive officer of the Company and Mr. Huang Xin ceases to be the interim chief executive officer of the Company and remain as the executive director of the Company. Mr. Fang Lin also replaces Mr. Huang Xin as the authorised representative of the Company with effect from 10 July 2023.

Mr. Adnan Omar Ahmed has resigned from the position of non-executive director of the Company with effect from 30 June 2023.

Save as disclosed above, the Company is not aware of other changes in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Condensed consolidated income statement for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Note	*Six months ended 30 June* 2023 HK$'000	2022 (restated) HK$'000
Insurance revenue	5	1,256,988	1,221,195
Insurance service expenses	9	(1,011,170)	(943,417)
Net (expenses)/income from reinsurance contracts		(1,012)	6,518
		244,806	284,296
Interest revenue calculated using the effective interest method	6	1,399,226	1,181,741
Other investment revenue/(loss)	6	133,031	(2,263,689)
Net impairment loss on financial assets	6	(62,254)	(53,614)
Investment return		1,470,003	(1,135,562)
Net finance (expenses)/income from insurance contracts	6	(1,089,654)	666,194
Net finance income from reinsurance contracts	6	47,504	29,092
Movement in investment contract liabilities		(113,900)	(80,639)
Movement in in financial liabilities related to third party interests in consolidated funds		4,895	(2,026)
Net financial result		318,848	(522,941)
Revenue from investment management and other financial services	7	27,838	37,470
Other income	8	30,134	27,522
Other operating expenses	9	(185,366)	(226,898)
Other finance costs	10	(91,970)	(69,415)
Share of loss of equity-accounted investee, net of tax		(2,798)	(4,462)
Profit/(loss) before tax		341,492	(474,428)
Income tax expense	11	(74,553)	(21,115)
Profit/(loss) for the period		266,939	(495,543)

Condensed consolidated income statement for the six months ended 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	*2023*	*2022*
			(restated)
		HK$'000	HK$'000
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		137,935	(482,062)
Non-controlling interests		129,004	(13,481)
		266,939	(495,543)
Earnings/(loss) per share attributable to equity shareholders of the Company			
Basic (HK$)	12	0.04	(0.13)
Diluted (HK$)	12	0.04	(0.13)

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	*2023*	*2022* (restated)
		HK$'000	HK$'000
Profit/(loss) for the period after taxation		266,939	(495,543)
Other comprehensive income for the period			
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)		10,570	(39,384)
Related income tax		(91)	(41)
Items that may be reclassified subsequently to profit or loss:			
Net movement in the fair value reserve during the period recognised in other comprehensive income		330,206	(5,322,644)
Exchange differences arising on translation of results of foreign operations		(35,111)	75,758
Net finance (expenses)/income from insurance contracts		(657,939)	5,597,258
Net finance income/(expenses) from reinsurance contracts		40,080	(17,450)
Net deferred tax impact recognised in other comprehensive income		139,956	45,409
Total comprehensive income for the period		94,610	(156,637)

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	*2022*
		(restated)
	HK$'000	HK$'000
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	13,951	(248,751)
Non-controlling interests	80,659	92,114
	94,610	(156,637)

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

Condensed consolidated statement of financial position at 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2023* HK$'000	*At 31 December 2022* (restated) HK$'000
Assets			
Property and equipment	15	681,006	674,271
Statutory deposits		5,822	5,142
Deferred tax asset		106,100	42,245
Tax recoverable		-	3,262
Investments in associates		117,975	132,012
Goodwill and intangible assets		1,924,077	1,909,213
Other contract asset		119,955	109,530
Investments	16	71,023,781	66,754,778
Reinsurance contract assets	20	6,512,754	6,432,170
Other accounts receivable and accrued income	17	115,134	119,799
Other receivables, deposits and prepayment	18	1,002,125	904,479
Bank balance - trust and segregated accounts	19	502,990	509,499
Fixed bank deposits with original maturity over 3 months	19	1,005,324	1,624,973
Cash and cash equivalents	19	3,059,315	2,547,901
		86,176,358	81,769,274

Condensed consolidated statement of financial position at 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2023* HK$'000	*At 31 December 2022* (restated) HK$'000
Liabilities			
Other accounts payable	22	599,809	609,464
Other payables and accrued expense	23	1,260,566	1,020,501
Financial liabilities at fair value through profit or loss	24	405,225	353,870
Tax payable		82,242	5,640
Insurance contract liabilities	20	59,005,880	55,054,209
Investment contract liabilities	21	4,910,933	4,847,581
Lease liabilities		251,581	233,066
Deferred tax liabilities		267,746	349,002
Bank borrowings	25	1,396,566	1,393,166
Shareholder's loan	26	1,641,077	1,641,077
		69,821,625	65,507,576
NET ASSETS		16,354,733	16,261,698
CAPITAL AND RESERVES			
Share capital	27	11,872,683	11,872,683
Reserves		(852,977)	(865,353)
		11,019,706	11,007,330
Non-controlling interests		5,335,027	5,254,368
TOTAL EQUITY		16,354,733	16,261,698

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2023 (unaudited)

(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	*Insurance finance reserve* HK$'000	*Reinsurance finance reserve* HK$'000	*Retained earnings/ (Accumulated loss)* HK$'000	*Sub-total* HK$'000	*Non-controlling interests* HK$'000	*Total* HK$'000
Balance at 1 January 2022 (as previously reported)	11,872,683	(83,230)	1,575	1,538	936,073	-	(701)	68,034	-	-	927,885	13,723,857	6,166,998	19,890,855
Impact on initial application of HKFRS 17 and related redesignation of financial assets	-	-	-	-	362,271	(37,494)	-	-	-	-	(2,263,116)	(1,938,339)	(838,652)	(2,776,991)
Balance at 1 January 2022 (restated)	11,872,683	(83,230)	1,575	1,538	1,298,344	(37,494)	(701)	68,034	-	-	(1,335,231)	11,785,518	5,328,346	17,113,864
Changes in equity for the six months ended 30 June 2022 (restated):														
Loss for the period	-	-	-	-	-	-	-	-	-	-	(482,062)	(482,062)	(13,481)	(495,543)
Other comprehensive income for the period	-	-	-	-	(3,662,310)	(27,518)	53,690	-	3,871,610	(2,161)	-	233,311	105,595	338,906
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	40,751	-	-	-	-	(40,751)	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	239	-	-	(239)	-	-	-
Balance at 30 June 2022 and 1 July 2022 (restated)	11,872,683	(83,230)	1,575	1,538	(2,363,966)	(24,261)	52,989	68,273	3,871,610	(2,161)	(1,858,283)	11,536,767	5,420,460	16,957,227
Changes in equity for the six months ended 31 December 2022 (restated):														
Loss for the period	-	-	-	-	-	-	-	-	-	-	(160,673)	(160,673)	(8,121)	(168,794)
Other comprehensive income for the period	-	-	-	-	(618,096)	2,028	(19,419)	-	198,830	67,893	-	(368,764)	(157,971)	(526,735)
Appropriation from statutory and capital reserve	-	-	-	-	-	-	-	(612)	-	-	612	-	-	-
Balance at 31 December 2022 and 1 January 2023 (restated)	11,872,683	(83,230)	1,575	1,538	(2,982,062)	(22,233)	33,570	67,661	4,070,440	65,732	(2,018,344)	11,007,330	5,254,368	16,261,698
Changes in equity for the six months ended 30 June 2023:														
Equity settled share-based transactions	-	-	(1,575)	-	-	-	-	-	-	-	-	(1,575)	-	(1,575)
Profit for the period	-	-	-	-	-	-	-	-	-	-	137,935	137,935	129,004	266,939
Other comprehensive income for the period	-	-	-	-	303,803	7,314	(24,459)	-	(426,413)	15,771	-	(123,984)	(48,345)	(172,329)
Balance at 30 June 2023	11,872,683	(83,230)	-	1,538	(2,678,259)	(14,919)	9,111	67,661	3,644,027	81,503	(1,880,409)	11,019,706	5,335,027	16,354,733

The accompanying notes form an integral part of this condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	*2022*
		(restated)
	HK$'000	HK$'000
Net cash generated from operating activities	3,594,443	3,523,008
Purchases of investments	(8,432,361)	(7,022,196)
Proceeds from disposal of investments and dividend and distribution income	4,856,981	2,793,784
Fixed bank deposits with original maturity over 3 months	619,068	(76,120)
Other investing activities	(32,321)	(36,680)
Net cash used in investing activities	(2,988,633)	(4,341,212)
Policyholders' account deposits related to investment contracts	28,152	41,351
Policyholders' account withdrawals related to investment contracts	(19,637)	(33,461)
Other financing activities	(103,203)	(92,422)
Net cash used in financing activities	(94,688)	(84,532)
Net increase/(decrease) in cash and cash equivalents	511,122	(902,736)
Cash and cash equivalents at 1 January	2,547,902	4,024,475
Effect of foreign exchange rate changes	291	5,523
Cash and cash equivalents at 30 June	3,059,315	3,127,262

The accompanying notes on form an integral part of this condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Yunfeng Financial Group Limited (the "Company") is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Rooms 1803-1806, 18th Floor, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong. The condensed consolidated interim financial statements for the period ended 30 June 2023 comprises the Company and its subsidiaries (collectively the "Group") and the Group's interest in associates and a joint venture.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee and the Company's independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial statements has been approved for issuance by the Board on 30 August 2023.

The financial information relating to the financial year ended 31 December 2022 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements and adjusted for the changes in accounting policies described in note 3. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. 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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA. The condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(b) Basis of measurement

The measurement basis used in the preparation of the condensed consolidated interim financial statements is the historical cost basis except that 1) investments in certain debt and equity securities and derivative financial instruments are stated at their fair values, and 2) insurance and reinsurance contracts are based on fulfilment cash flows and, if any, the contractual services margin ("CSM").

The condensed consolidated interim financial statements is presented in Hong Kong dollars ("HKD"), and all values are stated to the nearest thousand (HK$'000s), unless otherwise stated.

This is the first set of condensed consolidated interim financial statements in which HKFRS 17 *Insurance Contracts* have been applied. The related changes to significant accounting policies are described in note 3.

(c) Use of estimates and judgements

The preparation of condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. 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.

2 Basis of preparation (continued)

(d) Determination of consolidation scope

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.

3 Significant accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2022, as disclosed in the annual report and financial statements for the year ended 31 December 2022 except for those which are first time being applied for the period under changes in significant accounting policies below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Changes in significant accounting policies

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

3 Significant accounting policies (continued)

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

(a) HKFRS 17 Insurance Contracts

Recognition, measurement, and presentation of insurance contracts

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

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

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

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

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

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

3 Significant accounting policies (continued)

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

(b) Insurance, reinsurance and investment contracts – Classification

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

The Group does not accept insurance risk from other insurers.

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

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

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

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

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

3 Significant accounting policies (continued)

(c) Insurance and reinsurance contracts

(i) Separating components from insurance and reinsurance contracts

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

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

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

(ii) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the semi-annual cohort.

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

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

3 Significant accounting policies (continued)

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

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

Reinsurance contracts

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

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

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

- *Reinsurance contracts initiated by the Group that provide proportionate coverage*: The date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts.
- *Other reinsurance contracts initiated by the Group*: The beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under (v)).
- *Reinsurance contracts acquired*: The date of acquisition.

(iii) Insurance acquisition cash flows

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

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

3 Significant accounting policies (continued)

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

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

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

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

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

Recoverability assessment

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

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

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

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

3 Significant accounting policies (continued)

(iv) Contract boundaries

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

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

– the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

– the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

– has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
– has a substantive right to terminate the coverage.

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

3 Significant accounting policies (continued)

(v) Measurement – Contracts not measured under the PAA

Insurance contracts – Initial measurement

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

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

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

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

Insurance contracts – Subsequent measurement

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

3 Significant accounting policies (continued)

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

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

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

Insurance contracts without direct participation features

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

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

3 Significant accounting policies (continued)

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

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

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

Direct participating contracts

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

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

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

3 Significant accounting policies (continued)

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

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);

- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the period.

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

Reinsurance contracts

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

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

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

3 Significant accounting policies (continued)

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

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

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

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

Reinsurance of onerous underlying insurance contracts

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

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

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

3 Significant accounting policies (continued)

(vi) Measurement – Contracts measured under the PAA

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

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

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided (see (viii)) and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

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

If a loss-recovery component (see ‘Reinsurance of onerous underlying insurance contracts’ under (v)) is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

3 Significant accounting policies (continued)

(vii) Derecognition and contract modification

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

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

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

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

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

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

(viii) Presentation

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

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

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

3 Significant accounting policies (continued)

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

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

Insurance revenue – Contracts not measured under the PAA

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

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

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

Release of the CSM

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

3 Significant accounting policies (continued)

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

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

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

Insurance revenue – Contracts measured under the PAA

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

Loss components

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

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

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

3 Significant accounting policies (continued)

Insurance service expenses

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

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows based on passage of time.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

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

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

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

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

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

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

3 Significant accounting policies (continued)

Insurance finance income and expenses

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

The Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the following rates:

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

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

For contracts measured under variable fee approach, the Group presents insurance finance income or expenses in profit or loss.

(ix) Transition

The Group considers the full retrospective approach impracticable when the effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. The Group adopts the fair value approach in determining the transition amounts at the HKFRS 17 transition date, being 1 January 2022, when it is impracticable to use a full retrospective approach.

Under the fair value approach, the CSM at 1 January 2022 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Group measured the fair value of the contracts using actuarial appraisal method, i.e. statutory reserve minus value of in-force as of transition date. The cash flows considered in the fair value measurement were consistent with those that were within the contract boundary. Measurement of insurance contracts under the fair value approach required judgement, and the Group used reasonable and supportable information available at 1 January 2022 to determine the level of aggregation, identification of market participants, assumptions underlying the measurement of insurance contracts etc.

3 Significant accounting policies (continued)

Some groups of contracts measured under the fair value approach contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero.

For groups of reinsurance contracts covering onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. The Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts.

The Group measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2022 for the rights to obtain:

- recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and renewals of such contracts;
- renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying again insurance acquisition cash flows that it has already paid.

3 Significant accounting policies (continued)

(d) Investment contracts and collective investment schemes

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

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

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

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

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

(e) Redesignation of financial assets

HKFRS 17 permits, and in some cases requires, entities that apply HKFRS 9 before HKFRS 17 to change their previously applied classification and designation of financial assets. Assessments that are made on the basis of the facts and circumstances that exist at 1 January 2023 include the determination of the business model assessment within which a financial asset is held.

3 Significant accounting policies (continued)

Changes in accounting policies resulting from the reclassification or redesignation of financial asset under HKFRS 9 will be applied retrospectively. However, the transition requirements under HKFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023. Therefore, the Group has elected to apply the classification overlay in HKFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of HKFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on redesignation.

Transition

Redesignation of financial asset have been applied retrospectively.

Details of the changes and implications resulting from the redesignation of financial asset are presented below:

	HKFRS 9 carrying amount before redesignation HK$'000	*Reclassification* HK$'000	*Remeasurement (note 1)* HK$'000	*HKFRS 9 carrying amount after redesignation at 1 January 2022* HK$'000
Financial assets carried at amortised cost				
Debt securities	24,696,256	(1,632,293)	8	23,063,971
Mortgage loans	5,995,262	-	-	5,995,262
	30,691,518	(1,632,293)	8	29,059,233
Financial assets measured at FVOCI (recycling)				
Debt securities	22,175,259	1,211,677	226,264	23,613,200
Financial assets measured at FVOCI (non-recycling)				
Listed equity securities	-	119,057	-	119,057
Financial assets carried at FVPL				
Debt securities	2,715,947	420,616	(14,423)	3,122,140
Listed equity securities	371,498	(119,057)	-	252,441
Unit trusts	8,651,880	-	-	8,651,880
Unlisted equity and other securities	3,290,202	-	-	3,290,202
Derivative assets	37,059	-	-	37,059
	15,066,586	301,559	(14,423)	15,353,722

Note:

1) Remeasurement represents change in credit loss recognised and fair value adjustment to investment under amortised cost redesignated to FVPL and fair value through other comprehensive income ("FVOCI").

3 Significant accounting policies (continued)

Total impact on transition upon adoption of HKFRS 17

The following tables provide estimates of the extent to which the statement of financial position and income statement for the period ended 30 June 2023 is higher or lower than it would have been had the previous accounting policies still been applied in the period.

(i) Effect on the statement of financial position as at 30 June 2023

	As at 30 June 2023			
	Hypothetical amounts under original accounting policies	*Estimated impact of adoption of HKFRS 17*		*Amounts reported in accordance with HKFRS 17*
Condensed consolidated statement of financial position		*Insurance-related balances*	*Other differences*	
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Deferred tax assets	80,479	-	25,621	106,100
Goodwill and Intangible assets	1,924,077	-	-	1,924,077
Value of business acquired	10,358,092	(10,358,092)	-	-
Deferred acquisition costs	6,741,233	(6,741,233)	-	-
Other contract assets	-	119,955	-	119,955
Investments	72,353,856	-	(1,330,075)	71,023,781
Advance reinsurance premiums	516,679	(516,679)	-	-
Reinsurers' share of outstanding claims	128,375	(128,375)	-	-
Reinsurance contract assets	-	6,512,754	-	6,512,754
Insurance and reinsurance receivables	9,823,620	(9,823,620)	-	-
Other receivables, deposit and prepayment	1,009,341	(7,216)	-	1,002,125
Fixed bank deposits with original maturity over 3 months and cash and cash equivalents	4,064,639	-	-	4,064,639
Other assets	1,422,927	-	-	1,422,927
Total assets	108,423,318			86,176,358
Liabilities				
Insurance contract provisions	77,250,844	(77,250,844)	-	-
Insurance contract liabilities	-	59,005,880	-	59,005,880
Investment contract liabilities	4,913,790	(2,857)	-	4,910,933
Outstanding claims	278,551	(278,551)	-	-
Reinsurance premium payables	392,489	(392,489)	-	-
Other accounts payable	599,809	-	-	599,809
Other payables and accrued expense	4,810,632	(3,550,066)	-	1,260,566
Tax payable	82,242	-	-	82,242
Financial liabilities at fair value through profit or loss	405,225	-	-	405,225
Lease liabilities	251,581	-	-	251,581
Deferred tax liabilities	1,118,435	221,896	(1,072,585)	267,746
Bank borrowings	1,396,566	-	-	1,396,566
Shareholder's loan	1,641,077	-	-	1,641,077
Total liabilities	93,141,241			69,821,625
Net assets	15,282,077			16,354,733
Capital and reserves				
Share capital	11,872,683	-	-	11,872,683
Reserves	(1,601,691)	910,559	(161,845)	(852,977)
Non-controlling interests	5,011,085	393,966	(70,024)	5,335,027
Total equity	15,282,077			16,354,733

3 Significant accounting policies (continued)

(ii) Effect on the income statement for the period ended 30 June 2023

Condensed consolidated income statement	*For the period ended 30 June 2023* HK$'000
Hypothetical amounts under original accounting policies	
Income	
Premiums and fee income	5,620,870
Premiums ceded to reinsurer and change in unearned revenue liability	(1,615,360)
Net earned premium and fee income	4,005,510
Brokerage commission, interest and other service income	12,490
Subscription, management and rebate fee income	1,853
Consultancy and advisory income	-
Net investment income	480,347
Overlay adjustment	25,802
Other income	2,184,253
Reinsurance commission and profit	31,983
Total income	6,742,238
Benefits, losses and expenses	
Net policyholders benefit	(1,523,165)
Commission and related expenses	(1,400,811)
Deferral and amortisation of deferred acquisition costs and value of business acquired	1,123,299
Management and other expenses	(484,167)
Change in future policyholder benefits	(4,113,254)
Total benefits, losses and expenses	(6,398,098)
Finance costs[1]	(94,983)
Share of results of associates	(2,798)
Profit before taxation[1]	246,359
Tax expenses	(37,949)
Profit after taxation	208,410
Profit attributable to:	
Owners of the Company	97,082
Non-controlling interests	111,328
	208,410
Estimated impact of adoption of HKFRS 17	
Profit attributable to:	
Owners of the Company	40,853
Non-controlling interests	17,676
	58,529
Amounts reported in accordance with HKFRS 17	
Profit attributable to:	
Owners of the Company	137,935
Non-controlling interests	129,004
	266,939

3 Significant accounting policies (continued)

[1] Supplementary information under original accounting policies

Profit/(loss) before taxation after charging:	*Six months ended 30 June*	
	2023	*2022*
	HK$'000	HK$'000
Other operating items		
Amortisation of value of business acquired	457,193	31,891
Amortisation of deferred acquisition cost	92,429	355,635
Depreciation and amortisation on property and equipment and other intangible assets	90,540	107,426
Impairment of goodwill	-	-

	Six months ended 30 June	
	2023	*2022*
	HK$'000	HK$'000
Finance costs		
Bank loan interest	44,241	21,799
Interest on lease liabilities	3,238	3,578
Interest of preference share liability	3,146	5,757
Other interest expense	2,854	4
Shareholder's loan interest	41,504	41,504
	94,983	72,642

For management decision making and internal performance management purpose, the Group's hypothetical net operating income under original accounting policies amounted to HK$444 million for the six months ended 30 June 2023.

4 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.

4 Insurance and financial risk management (continued)

(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 contract assets;
- commercial and residential mortgage loans;
- other unsecured receivables; and
- derivative financial instruments.

The Group manages its financial assets to limit credit risk by diversifying its portfolio among various security types and industry sectors. The Group has an Investment Committee to supervise and control investments and related financial matters. Investment policies and guidelines have to be approved by the committee. In addition, the committee periodically reviews investment strategies and investment performance.

At 30 June 2023, none of the Group's debt securities represented investments in asset-backed and mortgage-backed securities in the United States of America and People's Republic of China ("the 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.

In respect of bank balances, all of them are due from authorised institutions in Hong Kong, Macao, the PRC, the United Kingdom and the United States of America. Management periodically reviews the credit ratings of these authorised institutions.

With respect to the insurance and reinsurance contract assets, the Group is exposed to the credit risk that the amounts due under insurance and reinsurance contracts may not be paid. In respect of 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.

4 Insurance and financial risk management (continued)

(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.

(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.

(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 minimise currency risk for certain non-United States dollar assets and liabilities through a prespecified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates.

(5) Equity price risk

The Group is exposed to equity price changes arising from equity investments 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 recognised in the condensed consolidated income statement.

The portfolio of unit trusts backing linked insurance contracts, which the Group carries on its condensed consolidated 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 condensed consolidated 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.

For the other investment under fair value hierarchy level 2 and 3 that is either backing linked insurance contract or 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.

4 Insurance and financial risk management (continued)

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 walkthroughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process the Group continues to perform for each reporting period.

In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. The Group believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

4 Insurance and financial risk management (continued)

The Group reviews the fair value hierarchy classification at each reporting period. Overall, reclassifications between levels occur when there are changes in the observability of inputs and market activity used in the valuation of a financial asset or liability. Such reclassifications are reported as transfers between levels at the beginning of the reporting period in which the changes occur. Given the types of assets classified as Level 1 (primarily debt securities and unit trust), 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 summarised in the schedule of changes in Level 3 assets and liabilities.

The fair value of short-term debt instruments, 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 30 June 2023 categorised into			*Fair value measurements as at 31 December 2022 (restated) categorised into*		
	Level 1 HK$'000	*Level 2* HK$'000	*Level 3* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Recurring fair value measurement						
(Liabilities)/assets						
Financial assets at fair value through profit or loss:						
- Private credit and other trust product type funds	-	-	333,207	-	-	380,149
- Listed equity	112,838	-	-	416,443	-	-
- Unlisted equity	-	-	155,859	-	-	166,542
- Leveraged and structured note investment	37,073	2,225,010	286,326	53,134	2,300,490	309,301
- Unit trust	3,504,912	5,809,811	507,908	2,477,149	5,684,973	489,009
- Interest in a joint venture	-	-	113,246	-	-	110,923
- Insurance contract related partnership investment	-	-	2,395,395	-	-	2,253,698
- Mutual fund	-	6,588	-	-	309	-
- Derivative assets	-	73,134	-	-	95,382	-
Financial asset at fair value through other comprehensive income						
- Debt securities	3,617,882	14,680,126	3,954,139	3,541,324	14,499,381	4,081,297
- Listed equity	78,053	-	-	68,232	-	-
Financial liabilities designated at fair value through profit or loss						
- Preference share liability	-	-	(105,646)	-	-	(105,175)
- Third-party interests in consolidated funds	-	-	(126,291)	-	-	(131,187)
- Derivative liabilities	(7,489)	(165,799)	-	(1,002)	(116,506)	-
- Investment contract liabilities	-	(4,910,933)	-	-	(4,847,581)	-

There were no transfers between Level 1 and Level 2. During the period, there were transfers into Level 3 which are due to lack of observable market data as compared to the previous period. 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.

4 Insurance and financial risk management (continued)

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.

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.

For level 2 debt securities, 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.

For level 2 corporate securities, 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.

For level 2 unit trusts and equity securities, valuations are based on quoted market prices adjusted for certain factors, such as foreign market differential.

For level 2 derivative financial instrument, observable 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.

4 Insurance and financial risk management (continued)

Information about Level 3 fair value measurements

	Valuation techniques HK$'000	*Significant unobservable inputs* HK$'000	*Range* *Min* HK$'000	*Max* HK$'000	*Weighted average* HK$'000
Financial assets:					
Financial asset at fair value through profit or loss					
- Partnership investment	Net asset value	Net asset value	NA	NA	NA
- Unit trusts	Net asset value	Net asset value	NA	NA	NA
Financial asset at fair value through other comprehensive income:					
- Corporate securities	Matrix pricing and DCF	Credit spread	115BPS (31 December 2022: 100BPS)	929BPS (31 December 2022: 1,171BPS)	186BPS (31 December 2022 (restated): 182BPS)

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 30 June 2023, it is estimated that with all other variables held constant, an increase/decrease in net asset value by 10% would have increased/decreased the Group's profit or loss by HK$239,540,000 (31 December 2022 (restated): HK$225,365,000).

Unit trusts - The fair value estimation is based on the net asset value attributable to the group determined by the respective fund managers. At 30 June 2023, for the fair value sensitivity analysis of unit trusts classified as Level 3, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have decreased/increased the group's other comprehensive income by HK$50,791,000 (31 December 2022: HK$48,901,000).

4 Insurance and financial risk management (continued)

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 30 June 2023, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the Group's other comprehensive income by HK$211,967,000 (31 December 2022 (restated): HK$228,247,000).

Valuation techniques and inputs used in Level 3 fair value measurements for those non-insurance contract related assets and liabilities

Information about Level 3 investment

Unlisted FVPL investment	Valuation technique	Significant unobservable inputs
Private credit funds and interest in a joint venture	Net asset value	Net asset value
Preference share liability	Discounted cashflow	Expected distribution from underlying fund investment per annum and net asset value of underlying fund investment
Unlisted equity	Market approach	Applied multiples, marketability discount
Third-party interests in consolidated funds	Net asset value	Net asset value

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for those non-insurance contract related level 3 asset and liability classes is as follows:

Fund investments - the fair value of private debt securities investment fund and interest in a joint venture holding 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.

4 Insurance and financial risk management (continued)

Credit link obligation note investment – the fair value based on valuation model and price quote provided by the arranger of the note with ongoing monitoring of our investment committee and risk management team in conjunction with additional information compiled by portfolio manager including performance and covenant compliance information as provided by the independent trustee.

Unlisted equity – the fair value based on market approach valuation model based on the applied EBITDA multiples of comparable public companies and marketability discount to estimate the fair value of the unlisted equity.

Preference share liabilities and third parties interest in consolidated funds - the fair value of the financial liabilities are determined mainly based on the fair value of the fund investments and credit linked obligation as the principal investment of the consolidated funds and the effective interest of the third parties in those consolidated funds.

	30 June 2023		*31 December 2022*	
Change in the relevant equity price risk variable:	%	*Effect on profit after tax and retained profit* HK$'000	%	*Effect on profit after tax and retained profit* HK$'000
Unlisted equity				
Increase	3	1,282	3	1,448
Decrease	(3)	(1,276)	(3)	(1,422)
Joint controlled entity				
Increase	10	11,325	10	11,092
Decrease	(10)	(11,325)	(10)	(11,092)
Private credit funds				
Increase	10	33,321	10	38,015
Decrease	(10)	(33,321)	(10)	(38,015)
Third party interest in consolidated fund				
Increase	10	(11,432)	10	(13,042)
Decrease	(10)	11,432	(10)	13,042

4 Insurance and financial risk management (continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

Financial assets at fair value through profit or loss

	2023	*2022*
		(restated)
	HK$'000	HK$'000
At 1 January (as previously reported)	3,709,622	3,768,014
Purchase/capital injection	157,441	143,360
Settlement on disposal and redemption of products	(59,135)	(153,891)
Net realised loss to profit or loss	(4,605)	(82,796)
Net unrealised (loss)/gain to profit or loss	(23,902)	17,320
Transfer into level 3	-	369,687
Exchange alignment	12,520	18,490
At 30 June	3,791,941	4,080,184

4 Insurance and financial risk management (continued)

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

	2023	*2022* (restated)
	HK$'000	HK$'000
At 1 January (as previously reported)	3,513,189	4,109,669
Transfer-in on initial application of HKFRS 17 and related redesignation of financial assets	592,284	805,280
Transfer-out on initial application of HKFRS 17 and related redesignation of financial assets	(24,176)	(31,532)
Purchase	-	117,000
Settlements	(131,082)	(137,560)
Net realised gain/(loss) to profit or loss	11,283	(4,128)
Net unrealised loss to other comprehensive income	(19,828)	(605,888)
Transfer into level 3	347	-
Exchange alignment	12,122	27,262
At 30 June	3,954,139	4,280,103

Financial liabilities at fair value through profit or loss

	2023	*2022*
	HK$'000	HK$'000
At 1 January	236,362	376,263
Fair value change	(4,425)	3,253
At 30 June	231,937	379,516

4 Insurance and financial risk management (continued)

(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 2022 and 30 June 2023 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2023		*Fair value measurements as at 30 June 2023 categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Debt securities	27,675,588	25,324,057	2,571,543	21,293,911	1,458,603
Mortgage loans	5,456,686	5,017,749	-	-	5,017,749

	2022		*Fair value measurements as at 31 December 2022 (restated) categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Debt securities	24,124,439	21,457,606	2,258,559	17,658,396	1,540,651
Mortgage loans	5,702,603	5,226,961	-	-	5,226,961

Mortgage loans - 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.

5 Insurance revenue

	Six months ended 30 June 2023 HK$'000	*Six months ended 30 June 2022* HK$'000
Contract not measured under PAA		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided	346,575	356,528
- Change in risk adjustment for non-financial risk for risk expired	(6,533)	26,505
- Expected incurred claims and other insurance service expenses	423,935	399,129
- Other	9,309	10,089
Recovery of insurance acquisition cash flows	345,385	294,778
	1,118,671	1,087,029
Contract measured under PAA	138,317	134,166
	1,256,988	1,221,195

6 Net financial result

The following table analyses the Group's net financial result in profit or loss and other comprehensive income.

	Six months ended 30 June 2023 HK$'000	*Six months ended 30 June 2022* HK$'000
Investment return		
Interest revenue calculated using the effective interest method	1,399,226	1,181,741
Other investment revenue/(loss)	133,031	(2,263,689)
Net impairment loss on financial assets	(62,254)	(53,614)
Amounts recognised in other comprehensive income	330,206	(5,322,644)
Total investment return	1,800,209	(6,458,206)
Net finance (expenses)/income from insurance contracts		
Change in fair value of underlying items	(236,693)	1,331,507
Interest accreted	(1,203,810)	(337,228)
Effect of changes in interest rates and other financial assumptions	(374,123)	5,163,841
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(54,373)	(26,693)
Net foreign exchange gain	121,406	132,025
Total net finance (expenses)/income from insurance contracts	(1,747,593)	6,263,452
Net finance income from reinsurance contracts		
Interest accreted	147,702	50,373
Others	(60,118)	(38,731)
Total net finance income from reinsurance contracts	87,584	11,642
Movement in investment contracts	(113,900)	(80,639)
Movement in third party interests consolidated funds	4,895	(2,026)
	31,195	(265,777)
Represented by		
Amounts recognised in profit or loss	318,848	(522,941)
Amounts recognised in other comprehensive income	(287,653)	257,164
	31,195	(265,777)
Insurance finance income and expenses		
Net finance (expenses)/income from insurance contracts		
Amounts recognised in profit or loss	(1,089,654)	666,194
Amounts recognised in other comprehensive income	(657,939)	5,597,258
	(1,747,593)	6,263,452
Net finance income from reinsurance contracts		
Amounts recognised in profit or loss	47,504	29,092
Amounts recognised in other comprehensive income	40,080	(17,450)
	87,584	11,642

6 Net financial result (continued)

Interest revenue calculated using the effective interest method and other investment revenue

	Six months ended 30 June	
	2023	*2022*
Underlying items related to insurance business	HK$'000	HK$'000
Interest income from unlisted debt securities and mortgage loans	1,342,347	1,163,171
Bank and other interest income	28,338	6,515
Net realised gain on disposal of securities measured at fair value through profit or loss	109,248	84,486
Net unrealised gain/(loss) on financial asset and financial liabilities measured at fair value through profit or loss	107,041	(2,007,186)
Net realised loss on fair value through other comprehensive income and amortised cost debt securities	(12,370)	(52,766)
Impairment (loss)/reversal of amortised cost debt securities	(80,811)	14,907
Reversal of/impairment (loss) of fair value through other comprehensive income debt securities	18,557	(67,601)
Dividend income	94,172	169,498
Net derivative loss	(133,087)	(178,753)
Investment incentive rebate	15,478	16,430
Other income	1,328	200
	1,490,241	(851,099)

6 Net financial result (continued)

	Six months ended 30 June	
	2023	*2022*
Underlying items related to other financial services	HK$'000	HK$'000
Bank and other interest income	17,413	1,994
Interest income from unlisted debt securities and mortgage loans	11,128	10,061
Net realised gain/(loss) on disposal of securities measured at fair value through profit or loss	26,137	(26,344)
Net unrealised loss on financial asset and financial liabilities measured at fair value through profit or loss	(92,262)	(297,201)
Dividend income	7,284	27,947
Net derivative gain	10,062	-
Reversal of impairment loss on other financial assets	-	(920)
	(20,238)	(284,463)

7 Revenue from investment management and other financial services

	Six months ended 30 June	
	2023	*2022*
	HK$'000	HK$'000
Brokerage commission, interest and other service income	12,490	15,912
Subscription, management and rebate fee income	1,854	3,148
Management fee for investment contracts	13,494	18,410
	27,838	37,470

The Group charges recurring fees for investment management services. In addition, it charges non-refundable up-front fees to holders of certain investment contracts reported as unearned revenue liability movement.

8 Other income

	Six months ended 30 June	
	2023	*2022*
		(restated)
	HK$'000	HK$'000
Net gain on deemed partial disposal of associates	463	438
Trustee fee income	18,138	17,557
Other income	11,533	9,527
	30,134	27,522

9 Expenses

	Six months ended 30 June	
	2023	*2022*
	HK$'000	HK$'000
Claims and benefits	457,940	346,930
Fees and commissions	1,407,053	671,651
Losses and reversal of losses on onerous insurance contracts	(8,174)	92,417
Staff costs (note)	237,533	276,722
Auditors' remuneration	9,924	5,026
Legal and professional costs	5,854	6,585
Depreciation and amortisation on property and equipment and other intangible assets	90,540	107,426
Impairment loss/(reversal) on:		
- Other accounts receivable	1,885	(1)
- Other receivables	(7)	15
Information, data and communication expenses	14,803	15,639
Net exchange (loss)/gain	(1,150)	3,837
Movement in other contract assets	(10,054)	(7,308)
Others	205,380	187,097
Amounts attributed to insurance acquisition cash flows incurred during the period	(1,601,694)	(854,957)
Amortisation of insurance acquisition cash flows	386,703	319,236
	1,196,536	1,170,315
Represented by		
Insurance service expenses	1,011,170	943,417
Other operating expenses	185,366	226,898
	1,196,536	1,170,315

Note: There is no forfeited contribution from the defined contribution schemes for the period ended 30 June 2023 and period ended 30 June 2022 that may be used by the Company and its subsidiaries to reduce the existing level of contributions as the contributions are fully vested to the employees immediately upon contributions are made.

10 Other finance costs

	Six months ended 30 June	
	2023	*2022*
		(restated)
	HK$'000	HK$'000
Bank loan interest	44,241	21,799
Interest on lease liabilities	225	351
Interest of preference share liability	3,146	5,757
Other interest expense	2,854	4
Shareholder's loan interest	41,504	41,504
	91,970	69,415

11 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2023	*2022*
		(restated)
	HK$'000	HK$'000
Current tax		
<u>Hong Kong</u>		
Provision for the period	28,598	20,873
Under-provision in respect of prior years	62	-
<u>Overseas</u>		
Provision for the period	53,268	253
(Over)/under-provision in respect of prior years	(2,139)	35
	79,789	21,161
Deferred tax		
Origination and reversal of temporary differences	(5,236)	(46)
	74,553	21,115

11 Income tax in the consolidated income statement (continued)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 June 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

12 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 of HK$137,935,000 (the loss attributable to equity shareholders for the six months ended 30 June 2022 (restated): HK$482,062,000), and the weighted average number of shares in issue during the period ended 30 June 2023 of 3,852,570,006 (30 June 2022: 3,852,570,006).

There were no potential dilutive ordinary shares for the six months ended 30 June 2023 therefore basic earnings per share equals to diluted earnings per share (six months ended 30 June 2022: basic earnings per share equals to diluted earnings per share).

13 Dividend

The Board did not declare the payment of an interim dividend in respect of six months ended 30 June 2023 (2022: Nil).

14 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 different from those of other operating segments.

As disclosed in the 2022 annual report, the Group is largely dominated by the insurance business after the completion of the YF Life acquisition. 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 other financial services and corporate to reflect the long term business development focus.

14 Segment reporting (continued)

Consequently, the Group currently has two operating segments:

(i) Insurance business — engage in the writing of long term insurance business

(ii) Other financial services and corporate includes

a) Securities brokerage – engages in securities brokerage and provision of custodian and other services;

b) Asset management – provision of funds and asset management services as well as financing and investing solution for clients;

c) Consultancy and advisory services – provision of corporate advisory, placing and underwriting advisory services to clients;

d) Principal investment – utilise capital 1) to provide funding on developing financial products and the funds managed by wealth management team and 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 quality equity instruments and other financial investments;

e) Financial technology – provision of technology business solution including system setup, upgrade and enhancement to clients; and

f) Corporate service includes central administrative and financing functions to support other operating segments.

Except as disclosed in note 3 to the interim financial statements, 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.

14 Segment reporting (continued)

(a) Segment revenue and results

For the period ended 30 June 2023

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Insurance revenue	1,256,988	-	1,256,988
Insurance service expenses	(1,011,170)	-	(1,011,170)
Net expenses from reinsurance contracts	(1,012)	-	(1,012)
Insurance service result	244,806	-	244,806
Allocated revenue from investment management and other financial services	13,494	14,344	27,838
Revenue from external party	258,300	14,344	272,644
Inter-segment income	677	-	677
Reportable segment revenue	258,977	14,344	273,321
Allocated investment return	1,490,241	(20,238)	1,470,003
Net finance expenses from insurance contracts	(1,089,654)	-	(1,089,654)
Net finance income from reinsurance contracts	47,504	-	47,504
Movement in Investment contracts	(113,900)	-	(113,900)
Movement in financial liabilities related to third party interest in consolidated funds	-	4,895	4,895
Allocated other income	29,141	993	30,134
Allocated operating costs	(120,673)	(66,870)	(187,543)
Allocated finance costs	-	(6,226)	(6,226)
Share of profit of equity-accounted investees, net of tax	-	(2,798)	(2,798)
Reportable segment profit/(loss)	501,636	(75,900)	425,736
Elimination of inter-segment loss			1,500
Reportable segment profit derived from Group's external customers			427,236
Unallocated finance costs			(85,744)
Taxation			(74,553)
Profit for the period			266,939
As at 30 June 2023			
Reportable assets	81,498,944	2,831,291	84,330,235
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	3,022,715	1,041,924	4,064,639
Reportable liabilities	(65,704,249)	(4,205,306)	(69,909,555)
As at 31 December 2022 (restated)			
Reportable assets	77,003,887	2,969,697	79,973,584
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	3,379,828	793,046	4,172,874
Reportable liabilities	(61,400,916)	(4,168,388)	(65,569,304)

14 Segment reporting (continued)

For the period ended 30 June 2022 (restated)

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Insurance revenue	1,221,195	-	1,221,195
Insurance service expenses	(943,417)	-	(943,417)
Net income from reinsurance contracts	6,518	-	6,518
Insurance service result	284,296	-	284,296
Allocated revenue from investment management and other financial services	18,410	19,060	37,470
Revenue from external party	302,706	19,060	321,766
Inter-segment income/(expenses)	(1,091)	2,899	1,808
Reportable segment revenue	301,615	21,959	323,574
Allocated investment return	(851,099)	(284,463)	(1,135,562)
Net finance income from insurance contracts	666,194	-	666,194
Net finance income from reinsurance contracts	29,092	-	29,092
Movement in Investment contracts	(80,639)	-	(80,639)
Movement in financial liabilities related to third party interest in consolidated funds	-	(2,026)	(2,026)
Allocated other income	25,890	1,632	27,522
Allocated operating costs	(114,819)	(115,387)	(230,206)
Allocated finance costs	-	(6,112)	(6,112)
Share of profit of equity-accounted investees, net of tax	-	(4,462)	(4,462)
Reportable segment profit/(loss)	(23,766)	(388,859)	(412,625)
Elimination of inter-segment loss			1,500
Reportable segment loss derived from Group's external customers			(411,125)
Unallocated finance costs			(63,303)
Taxation			(21,115)
Loss for the period			(495,543)

(b) Geographical segment information

The Group's customers, operation and administration are mainly located in Hong Kong and Macao. Research and development for financial technologies divisions are located in PRC.

(c) Information about major customers

No customer account for more than 10% of the total revenue of the Group for the period ended 30 June 2023.

14 Segment reporting (continued)

(d) Net operating income

For management decision making and internal performance management purpose, the Group refers to the adjusted net operating income representing the core business activities of the Group. Accordingly, the adjusted net operating income is derived from profit after tax adjusting for below items:

Insurance business segment

Short-term fluctuations in investment returns – a) difference between expected long-term distribution based on assumption applied in calculation of Embedded Value and actual distribution received and fair value through profit and loss adjustment in relation to equity and fund investment excluding mutual fund for the period/year. b) The realized gain/loss on disposal of investment and expected credit loss recorded being considered short term investment return fluctuation which is not consistent with long term investment allocation strategy.

Short-term fluctuations in discount rate impact applied to the change of fulfilment cashflow of insurance contract liability that is accounted through profit and loss, which is adjusted under net operating income to reflect the economic core business performance.

Short-term fluctuation exchange rate causes the difference between derivative instruction market to market gain/loss and net exchange impact of net asset position denominated in foreign currencies. The related impact to profit or loss is considered not relevant to management operational nor financial decision making progress.

Other items – those are considered either non-recurring in nature and/or considered by management not relevant for evaluation of core business operation result.

Other financial service segment

Investment return related to principal investment activity not related to internal performance management purpose.

Finance costs related to long term borrowings for strategic investment is considered not relevant for evaluation of core business operation result.

Staff share award/option related expenses considered not relevant for evaluation of core business operation result.

Other items – those are considered either non-recurring in nature and/or considered by management not relevant for evaluation of operation result.

14 Segment reporting (continued)

	For the six months period ended 30 June	
	2023	*2022*
	HK$'000	HK$'000
Net operating income	497,525	465,718
Adjust for the following profit or loss and expenses impact:		
Insurance business		
- Short-term fluctuations in investment returns, discount rate and exchange rate including fair value adjustments and the related subsequent change of the adjustments on acquisition of YF Life	(101,900)	(577,935)
- Other items	(11,300)	1,874
Other financial services		
- Investment return related to principal investment activity	(33,873)	(298,700)
- Finance costs related to long term borrowings	(85,744)	(63,303)
- Staff share award/option related expenses	1,575	-
- Other items	656	(23,197)
Profit/(loss) for the period	266,939	(495,543)

15 Property and equipment

During the six months ended 30 June 2023, the Group acquired approximately HK$17 million of property and equipment. Further, the Group entered into a number of lease agreements for right of use of assets and recognise the additional in ownership interests in leasehold land and building held for own use of HK$76 million and office equipment of HK$2 million.

16 Investments

	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
At 30 June 2023				
Debt securities:				
- Unlisted	22,252,147	2,548,409	27,675,588	52,476,144
Mortgage loans	-	-	5,456,686	5,456,686
	22,252,147	2,548,409	33,132,274	57,932,830
Equity securities:				
- Listed	78,053	112,838	-	190,891
- Unlisted	-	155,859	-	155,859
	78,053	268,697	-	346,750
Fund investment and others:				
- Unlisted (note (a))	-	2,848,436	-	2,848,436
Unit trusts:				
- Unlisted	-	9,822,631	-	9,822,631
Derivative assets	-	73,134	-	73,134
Total	22,330,200	15,561,307	33,132,274	71,023,781
Market value of listed securities	78,053	112,838	-	190,891

16 Investments (continued)

	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
At 31 December 2022 *(restated)*				
Debt securities:				
- Unlisted	22,122,002	2,662,925	24,124,439	48,909,366
Mortgage loans	-	-	5,702,603	5,702,603
	22,122,002	2,662,925	29,827,042	54,611,969
Equity securities:				
- Listed	68,232	416,443	-	484,675
- Unlisted	-	166,542	-	166,542
	68,232	582,985	-	651,217
Fund investment and others:				
- Unlisted (note (a))	-	2,745,079	-	2,745,079
Unit trusts:				
- Unlisted	-	8,651,131	-	8,651,131
Derivative assets	-	95,382	-	95,382
Total	22,190,234	14,737,502	29,827,042	66,754,778
Market value of listed securities	68,232	416,443	-	484,675

16 Investments (continued)

Notes:

(a) On 28 February 2018, the Group has entered a strategic fund management agreement with another well-established financial institution. By sharing the operating and financing decision making power through the agreement, the Group is no longer considered to be the principal of Majik Access USD Fund 2 LP. After the deconsolidation, the Group elects to measure its 34.04% investment holding in Majik Access USD Fund 2 LP held through a venture capital organisation, an indirect wholly-owned subsidiary, at fair value through profit or loss as management measures the performance of this jointly controlled entity on a fair value basis and considered to be exempted from applying the equity method. The valuation process and fair value information for the joint venture measured at fair value through profit or loss set out in note 4. As of 30 June 2023, the carrying value of the jointly controlled entity amounted to HK$113 million (31 December 2022: HK$111 million).

(b) Investments of HK$18,066,703,000 (31 December 2022: HK$16,508,677,000) have been pledged in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

(c) The portion of the investments that is expected to be recoverable within one year is HK$11,407,576,000 (31 December 2022 (restated): HK$10,813,787,000) and the portion that is expected to be recoverable after more than one year is HK$59,616,205,000 (31 December 2022 (restated): HK$55,940,991,000).

(d) As at 30 June 2023, the investments were determined to be impaired on the basis of expected credit losses model. Impairment losses on these investments were recognised in the condensed consolidated income statement in accordance with the Group accounting policy.

16 Investments (continued)

(e) The maturity profile of the Group's debt securities and amortised cost investment is as follows:

	At 30 June 2023	*At 31 December 2022 (restated)*
	HK$'000	HK$'000
Fixed maturities due in		
- 1 year or less	618,615	819,415
- 1 to 5 years	6,615,392	5,676,987
- 5 to 10 years	7,289,015	8,383,386
- More than 10 years	37,953,122	34,029,578
	52,476,144	48,909,366
Mortgage loans due in		
- 1 year	565,324	671,507
- 2 years	571,291	352,888
- 3 years	777,912	643,587
- 4 years	875,874	1,009,123
- 5 years	542,120	514,104
- More than 5 years	2,124,165	2,511,394
	5,456,686	5,702,603

16 Investments (continued)

(f) Interests in collective investment schemes

(i) Included in financial assets measured at fair value through profit or loss on the condensed consolidated statement of financial position are certain investments in collective investment schemes which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These collective investment schemes include investments in unit trusts and limited liability partnership established by third parties. These schemes provide the Group with a variety of investment opportunities through managed investment strategies.

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk (see note 4) and the capital commitments. The maximum exposure to loss, which represents the maximum loss that the Group could be required to report as a result of its involvement with these collective investment schemes regardless of the probability of the loss being incurred, is equivalent to the carrying amount of these investments.

(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$20,149,000 (for six months period ended 30 June 2022: HK$19,705,000).

The policyholders invest directly into such MPF scheme, as such, the Group did not transfer any of its own assets into these schemes during the reporting period. Management actively monitor the compliance with the respective regulation requirements in order to minimise losses arising from reputational risk and regulatory compliance risk.

(g) Underlying items of participating contracts under variable fee approach

Included in financial assets measured at fair value through profit or loss on the condensed consolidated statement of financial position are investments in debt securities, unit trusts and limited liability partnership established by third parties amounting to HK$3,385,599,000 (31 December 2022 (restated): 2,142,264,000). The fair value change of the related investment is passed through to the respective policyholders.

(h) Equity investments designated as at FVOCI

The Group has designated the following equity investments as at FVOCI because it intends to hold them for the long term in order to match with the long duration of insurance contracts measured under the GMM model.

17 Other accounts receivable and accrued income

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	54,718	72,579
- Margin clients	9,864	8,689
- Clearing house, brokers, fund managers and dealers	46,494	31,578
	111,076	112,846
Other accounts receivable arising from consultancy and advisory services	1,134	1,134
Other service fees receivables	6,780	7,848
	118,990	121,828
Less: allowance for credit losses	(3,856)	(2,029)
	115,134	119,799

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 credit losses as at the end of the reporting period is as follows:

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Current	113,146	117,579
Less than 1 month past due	492	208
1 to 3 months past due	1,305	152
More than 3 months past due	191	1,860
Amounts past due	1,988	2,220
	115,134	119,799

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness. During the period, there were allowance for credit losses of HK$1,905,000 (for six months ended 30 June 2022: reversal of allowance for credit losses of HK$1,000), allowance for credit losses recovered of HK$20,000 (for six months ended 30 June 2022: Nil) and other accounts receivable written off of HK$58,000 (for six months ended 30 June 2022: HK$13,000).

17 Other accounts receivable and accrued income (continued)

(b) Balance with related parties

At 30 June 2023, the balance of other service fee receivables includes fund management fee of approximately HK$781,000 (31 December 2022: HK$1,122,000) due from a joint venture of the Group.

18 Other receivables, deposits and prepayment

	Note	*At 30 June 2023* HK$'000	*At 31 December 2022 (restated)* HK$'000
Utility and rental deposits	(i)	46,417	45,904
Loans to agents and staff		66,071	57,486
Accrued investment income		726,562	669,978
Prepayment and other deposits		164,847	132,890
Other receivable from non-controlling shareholders of a subsidiary		6,644	6,644
		1,010,541	912,902
Less: allowance for credit losses	(iii)	(8,416)	(8,423)
		1,002,125	904,479

Notes:

(i) The amount of utility and rental deposits expected to be recovered after more than one year is HK$45,457,000 (31 December 2022: HK$32,477,000).

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

(iii) During the period, there were HK$6,000 reversal of credit losses made (for the six months ended 30 June 2022: HK$14,000 credit loss made) and foreign exchange gain of HK$1,000 (for six months ended 30 June 2022: HK$763,000) to allowance for credit losses.

19 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balance – trust and segregated accounts

	Note	*At 30 June 2023* HK$'000	*At 31 December 2022* HK$'000
Bank balance - trust and segregated accounts			
Deposit with bank	(i)	503,144	509,653
Less: impairment allowance		(154)	(154)
		502,990	509,499
Fixed bank deposits with original maturity over 3 months			
Deposit with bank	(iii)	1,005,324	1,624,973
Less: impairment allowance		-	-
		1,005,324	1,624,973
Cash and cash equivalents			
Deposit with bank	(ii)	23,663	23,836
Fixed bank deposits with original maturity less than 3 months		475,362	889,548
Cash at bank and in hand		2,560,404	1,634,631
Less: impairment allowance		(114)	(114)
Cash and cash equivalents in the condensed consolidated statement of financial position		3,059,315	2,547,901

Notes:

(i) The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(ii) The Group has made deposit with a bank as security deposit for bank facilities.

(iii) As at 30 June 2023, the Group has pledged fixed deposits of HK$888,414,000 (31 December 2022: HK$856,494,000) to banks in favour of the Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

20 Insurance and reinsurance contracts

	At 30 June 2023	*At 31 December 2022 (restated)*
	HK$'000	HK$'000
Insurance contracts		
Insurance contract liabilities		
- Insurance contract balances	59,007,853	55,055,620
- Assets for insurance acquisition cash flows	(1,973)	(1,411)
	59,005,880	55,054,209
Reinsurance contracts		
Reinsurance contract assets	(6,512,754)	(6,432,170)

(a) Insurance contracts

Analysis by remaining coverage and incurred claims of insurance contracts

	At 30 June 2023	*At 31 December 2022*
	HK$'000	HK$'000
Insurance contract liabilities		
Insurance contract balances		
- Liabilities for remaining coverage excluding loss component	58,046,597	54,088,415
- Loss component	457,632	544,472
- Liabilities for incurred claims	503,624	422,733
	59,007,853	55,055,620
Assets for insurance acquisition cash flows	(1,973)	(1,411)
	59,005,880	55,054,209

20 Insurance and reinsurance contracts (continued)

Analysis by measurement component of insurance contracts – Contracts not measured under PAA

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Insurance contract liabilities		
Insurance contract balances		
- Estimates of present value of future cash flows	48,782,758	44,883,108
- Risk adjustment for non-financial risk	1,570,254	1,484,856
- CSM	8,602,953	8,635,547
	58,955,965	55,003,511
Assets for insurance acquisition cash flows	(1,973)	(1,411)
	58,953,992	55,002,100

(b) Reinsurance contracts

Analysis by remaining coverage and incurred claims of reinsurance contracts

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Reinsurance contract assets		
Reinsurance contract balances		
- Assets for remaining coverage excluding loss recovery component	5,755,101	5,563,922
- Loss recovery component	272,562	336,587
- Assets for incurred claims	485,091	531,661
	6,512,754	6,432,170

20 Insurance and reinsurance contracts (continued)

Analysis by measurement component of reinsurance contracts – Contracts not measured under PAA

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Reinsurance contract assets		
Reinsurance contract balances		
- Estimates of present value of future cash flows	5,140,291	5,012,071
- Risk adjustment for non-financial risk	69,954	80,045
- CSM	1,283,200	1,331,988
	6,493,445	6,424,104

(c) Assets for insurance acquisition cash flows

	Total HK$'000
Balance as at 31 December 2022	
Presented in insurance contract assets	-
Presented in insurance contract liabilities	1,411
	1,411
Balance as at 30 June 2023	
Presented in insurance contract assets	-
Presented in insurance contract liabilities	1,973
	1,973

20 Insurance and reinsurance contracts (continued)

(d) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are insurance contracts with significant financial options and guarantees, then the Group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables.

Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

20 Insurance and reinsurance contracts (continued)

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that the Group will incur in providing investment services; and
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

Methodology and assumptions

(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.

(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.

20 Insurance and reinsurance contracts (continued)

(iv) Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

As at 30 June 2023	1 year	5 years	10 years	15 years	20 years
USD	5.27%-6.39%	4.04%-5.16%	3.73%-4.85%	3.75%-4.87%	4.07%-5.19%
HKD	4.82%-5.94%	4.01%-5.13%	3.77%-4.89%	3.79%-4.91%	3.81%-4.93%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Group would require for bearing non-financial risk.

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

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

(ii) Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

(iii) Investment components

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

20 Insurance and reinsurance contracts (continued)

(iv) Fair value of insurance contracts

The Group applied the fair value approach on transition to HKFRS 17. Actuarial appraisal method is selected as the underlying methodology.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

The Group's approach to measuring fair value differs from the HKFRS 17 requirements for measuring fulfilment cash flows in certain respects. These differences gave rise to a CSM at the date of transition.

21 Investment contract liabilities

	At 30 June 2023	*At 31 December 2022 (restated)*
	HK$'000	HK$'000
Policyholders' deposits	4,647,615	4,609,597
Future policyholders' benefits	78,013	70,968
Unearned revenue liability	185,305	167,016
	4,910,933	4,847,581

22 Other accounts payable

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Accounts payable		
- Cash and margin clients	590,025	597,737
- Clearing house, fund managers, brokers and dealers	9,784	11,727
	599,809	609,464

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$509,070,000 (31 December 2022: HK$520,331,000).

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

Balance with related parties

At 30 June 2023, accounts payable of approximately HK$66,000 (31 December 2022: HK$12,794,000) and HK$203,395,000 (31 December 2022: HK$83,286,000) to certain key management personnel of the Company and companies controlled by key management personnel of the Company respectively on normal terms of brokerage and wealth management business of the Group.

23 Other payables and accrued expenses

	At 30 June 2023 HK$'000	*At 31 December 2022 (restated)* HK$'000
Accrued staff costs	47,248	83,911
Other contract provisions	210,073	197,465
Other payables and accruals	1,003,245	739,125
	1,260,566	1,020,501

Apart from a total amount of HK$358,877,000 (31 December 2022 (restated): HK$308,537,000) of other payables and accrued expenses, the remaining balances are expected to be settled within one year.

Balance with related parties

At 30 June 2023, amount of approximately HK$62,347,000 (31 December 2022: HK$59,859,000) are payable to MassMutual International LLC who is a substantial shareholder of the Company and its affiliates.

At 30 June 2023, interest accrual of approximately HK$211,645,000 (31 December 2022: HK$170,142,000) is due to Key Imagination Limited who is the controlling shareholder of the Company.

24 Financial liabilities at fair value through profit or loss

	At 30 June 2023 HK$'000	*At 31 December 2022 (restated)* HK$'000
Preference share liability	105,646	105,175
Third-party interests in consolidated funds	126,291	131,187
Derivatives	173,288	117,508
	405,225	353,870

25 Bank borrowings

The bank loan was unsecured and repayable as follows:

	At 30 June 2023 HK$'000	*At 31 December 2022* HK$'000
Within 1 year	1,396,566	-
After 1 year but within 2 years	-	1,393,166

26 Shareholder's loan

The loan is due within one year from 30 June 2023 and 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.

27 Share capital

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

	At 30 June 2023		*At 31 December 2022*	
	Number of shares	*Amount* HK$'000	*Number of shares*	*Amount* HK$'000
Issued and fully paid:	3,867,991,673	11,872,683	3,867,991,673	11,872,683

28 Employee share-based arrangements

Share Option Scheme and Share Award Schemes

The Company has adopted a share option scheme on 28 June 2022 (the "Share Option Scheme") which has a life of 10 years from the date of adoption for the Company to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide it with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the Board may approve from time to time.

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

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

<u>2014 Share Award Scheme</u>

During the Period, no Shares had been awarded and no Shares had been vested, cancelled or lapsed under the 2014 Share Award Scheme. There was no movement for the Shares awarded under the 2014 Share Award Scheme during the Period.

<u>2016 Share Award Scheme</u>

On 24 January 2017, the Company issued 23,990,000 Shares to TMF Trust (HK) Limited to be granted to the Pool A Selected Participants (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 ended 31 December 2018, the Company had paid to Bank of Communications Trustee Limited to purchase the Shares to be granted to the Pool B Selected Participants (Group B Grantees) as disclosed in the announcements of the Company dated 4 January 2018, 11 January 2018, 16 January 2018, 26 January 2018 and 21 May 2018.

During the Period, no Shares had been awarded under the 2016 Share Award Scheme. The Shares below under Note 28 (i) were awarded to employee participants.

28 Employee share-based arrangements (continued)

(i) Details of Shares awarded, vested, cancelled and modification of service condition to Group A Grantee under the 2016 Share Award Scheme

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, forfeited or lapsed* C	*Number of awarded share remains outstanding* F = A - B - C
As of 31 December 2021 and 1 January 2022				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	4,897,500	150,000
4 May 2020	5,047,500	-	4,897,500	150,000
Total	20,190,000	7,882,500	12,007,500	300,000
Movement for the year 2022				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
As of 31 December 2022 and 1 January 2023				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	4,897,500	150,000
4 May 2020	5,047,500	-	4,897,500	150,000
Total	20,190,000	7,882,500	12,007,500	300,000
Movement for the period				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	150,000	
4 May 2020	-	-	150,000	
As of 30 June 2023				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	5,047,500	-
4 May 2020	5,047,500	-	5,047,500	-
Total	20,190,000	7,882,500	12,307,500	-

The awarded share remaining outstanding was due to service condition modification.

28 Employee share-based arrangements (continued)

(i) Details of Shares awarded, vested, cancelled and modification of service condition to Group A Grantee under the 2016 Share Award Scheme (continued)

Grant date on 25 April 2018

Vesting date	*Number of awarded shares awarded*	*Number of awarded shares vested*	*Number of awarded shares cancelled, forfeited or lapsed*	*Number of awarded share remains outstanding*
As of 31 December 2021 and 1 January 2022				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the year 2022				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 31 December 2022 and 1 January 2023				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the period				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 30 June 2023				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-

28 Employee share-based arrangements (continued)

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

During the Period, no Shares had been awarded to Group B Grantee and no Shares that had been awarded to Group B Grantee had been vested, cancelled or lapsed under the 2016 Share Award Scheme. There is no movement for the Shares awarded to Group B Grantee under the 2016 Share Award Scheme during the Period.

29 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 30 June 2023, the net assets of consolidated fund entities amounted to HK$368 million (31 December 2022: HK$382 million) with net carrying interest held by the Group being HK$242 million (31 December 2022: HK$251 million).

Interests held by other investors in these consolidated structured entities, mainly fund entities were classified as financial liabilities at fair value through profit or loss on the condensed consolidated statements of financial position with fair value change of financial liability at fair value through profit or loss presented in the condensed consolidated income statement.

At period end, the Group reassessed the control of structured entities and decided whether the Group is still 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 exposes to these structured entities are not significant and the Group is primarily acting as an agent. Therefore, the Group did not consolidate these structured entities.

30 Commitments

(a) Capital commitments

As at 30 June 2023, the Group has a total of HK$95.4 million (31 December 2022: Nil) capital commitment contracted but not provided for.

(b) Investment commitments

(i) In the normal course of business, the Group enters into commitments to purchase certain investments and capital contribution commitments to third party managed fund investment. As at 30 June 2023, the Group has investment commitments contracted for amounted to HK$1,495,947,000 (31 December 2022: HK$1,406,145,000).

(ii) As at 30 June 2023, the Group has capital commitment to a joint venture for an amount of US$20 million with US$13.93 million (31 December 2022: US$20 million with US$13.93 million) has been contributed.

(iii) As disclosed in the announcement of the Company dated 4 February 2016, Yunfeng Financial Market Limited ("YFM") (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 YFM, 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, YFM is committed to contribute RMB1,290,000,000 of the registered capital of the joint venture company.

31 Material related party transactions

	Six months ended 30 June	
	2023	*2022*
	HK$'000	HK$'000
Brokerage fee income *(note (i))*	4,020	7,339
Investment management fee paid *(note (ii))*	40,133	44,860
Policy endorsement fee paid *(note (iii))*	2,442	2,553

(i) The Group provided brokerage services to companies where Mr. Yu Feng (the Company's chairman) and Mr. Huang Xin (the executive director) are directors and substantial shareholders.

(ii) The Group paid an investment management fee to an affiliate of a substantial shareholder who appointed a director to the board of the Company, for management service provided to YF Life's investment portfolio.

(iii) The fee is paid to an affiliate of a substantial shareholder, who appointed a director to the board of the Company, for the provision of claims payment endorsement to certain outstanding life insurance policies of YF Life until such policies mature.

Except for those disclosed in this announcement, there is no other significant related party transactions during the period.

32 Reconciliation between HKFRSs and US GAAP

The condensed 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:

Condensed consolidated statement of financial position	*As at 30 June 2023*				*As at 31 December 2022*
	HKFRSs adjustments			*Amounts under US GAAP*	*Amounts under US GAAP*
	Insurance-related differences[1]	*Other difference in accounting*[2]	*Difference in impairment basis*[3]	HK$'000	HK$'000
Assets					
Property and equipment	-	198	-	681,204	674,483
Statutory deposits	-	-	-	5,822	5,142
Tax recoverable	-	-	-	-	3,262
Deferred tax assets	-	(18,612)	82,736	170,224	133,703
Investments in associates	-	-	-	117,975	132,012
Goodwill and intangible assets	-	-	-	1,924,077	1,909,213
Other contract assets	(119,955)	-	-	-	-
Deferred acquisition costs and value of business acquired	17,426,847	-	-	17,426,847	16,183,003
Investments	-	2,021,056	(2,186,822)	70,858,015	66,287,663
Reinsurance contract assets	(6,512,754)	-	-	-	-
Advance reinsurance premiums	516,679	-	(10,815)	505,864	1,373,910
Reinsurers' share of outstanding claims	123,555	-	-	123,555	91,125
Insurance and reinsurance receivables	8,403,069	-	(80,877)	8,322,192	7,509,280
Other accounts receivable and accrued income	-	-	-	115,134	119,799
Other receivables, deposit and prepayment	7,216	-	-	1,009,341	1,028,699
Bank balance - trust and segregated accounts	-	-	-	502,990	509,499
Fixed bank deposits with original maturity over 3 months	-	-	-	1,005,324	1,624,973
Cash and cash equivalents	-	-	-	3,059,315	2,547,901
Total assets				105,827,879	100,133,667
Liabilities					
Insurance contract provisions	(82,102,341)	-	-	(82,102,341)	(76,836,498)
Insurance contract liabilities	59,005,880	-	-	-	-
Investment contract liabilities	4,910,933	-	-	-	-
Outstanding claims	(278,551)	-	-	(278,551)	(229,402)
Reinsurance premium payables	(281,136)	-	-	(281,136)	(387,384)
Financial liabilities at fair value through profit or loss, other accounts payable and lease liabilities	-	-	-	(1,256,615)	(1,079,894)
Other payables and accrued expense	(2,693,127)	-	-	(3,953,693)	(4,418,963)
Tax payable	-	-	-	(82,242)	(5,640)
Deferred tax liabilities	221,896	(1,072,585)	-	(1,118,435)	(1,138,128)
Bank borrowings	-	-	-	(1,396,566)	(1,393,166)
Shareholder's loan	-	-	-	(1,641,077)	(1,641,077)
Total liabilities				(92,110,656)	(87,130,152)
Net assets				13,717,223	13,003,515
Capital and reserves					
Share capital	-	-	-	11,872,683	11,872,683
Reserves	(961,581)	654,534	(1,533,879)	(2,693,903)	(3,139,507)
Non-controlling interests	(410,208)	275,523	(661,899)	4,538,443	4,270,339
Total equity				13,717,223	13,003,515

32 Reconciliation between HKFRSs and US GAAP (continued)

Condensed consolidated income statement	*For the period ended 30 June 2023* HK$'000	*For the period ended 30 June 2022* HK$'000
Amounts under US GAAP		
Income		
Premiums and fee income	5,620,870	4,678,736
Premiums ceded to reinsurer	(1,128,773)	(1,322,132)
Net premium and fee income	4,492,097	3,356,604
Change in unearned revenue liability	(178,576)	(307,267)
Net earned premium and fee income	4,313,521	3,049,337
Brokerage commission, interest and other service income	12,490	15,912
Subscription, management and rebate fee income	1,853	3,148
Consultancy and advisory income	-	-
Net investment and other (loss)/income	2,712,993	176,002
Overlay adjustment	-	-
Reinsurance commission and profit	24,626	38,918
Total income	7,065,483	3,283,317
Benefits, losses and expenses		
Net policyholders benefit	(1,543,937)	(58,990)
Commission and related expenses	(1,400,811)	(661,011)
Management and other expenses	(540,849)	(457,661)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(3,027,541)	(2,453,749)
Total benefits, losses and expenses	(6,513,138)	(3,631,411)
Finance costs	(94,983)	(72,642)
Share of results of associates	(2,798)	(4,462)
Profit before taxation	454,564	(425,198)
Tax expenses	(30,379)	(1,429)
Profit after taxation	424,185	(426,627)
Profit attributable to:		
Owners of the Company	247,695	(434,109)
Non-controlling interests	176,490	7,482
	424,185	(426,627)
HKFRSs adjustments (notes)		
Profit attributable to:		
Owners of the Company	(109,760)	(47,953)
Non-controlling interests	(47,486)	(20,963)
Amounts under HKFRSs	(157,246)	(68,916)
Profit attributable to:		
Owners of the Company	137,935	(482,062)
Non-controlling interests	129,004	(13,481)
	266,939	(495,543)

32 Reconciliation between HKFRSs and US GAAP (continued)

Notes:

[1] Differences arise from different classification and measurement principles for insurance and reinsurance contracts under HKFRS and US GAAP.

[2] Difference arises from classification and measurement of investments and lease accounting.

[3] Difference arises from different impairment methodology and basis under HKFRS and US GAAP. As of 1 January 2022, the Group has chosen to early adopt Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* issued by the Financial Accounting Standards Board on 1 January 2022. The Group has recognised the cumulative effect of initial application as an adjustment to opening equity at 1 January 2022.

33 Non-adjusting events after the reporting period

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

By Order of the Board
Yunfeng Financial Group Limited
Fang Lin
Executive Director and Chief Executive Officer

Hong Kong, 30 August 2023

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