The unaudited financial information relating to the year ended 31 December 2024 and the financial information relating to the year ended 31 December 2023 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2024 have yet to be reported on by the Group's auditor and will be delivered to the Registrar of Companies in due course.

The Group has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.

The Group's auditor has reported on the consolidated financial statements for the year ended 31 December 2023. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

YF FINANCIAL
云 锋 金 融

Yunfeng Financial Group Limited

雲鋒金融集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Board of Directors of Yunfeng Financial Group Limited announces herewith the consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2024 as follows:

Corporate Information

Board of Directors

Chairman

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised representatives

Mr. Huang Xin
Mr. Chan Man Ko

Company secretary

Mr. Chan Man Ko

Auditor

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

Corporate Information (continued)

Bankers

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

Registered and principal office

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

Share registrar

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

Website

www.yff.com

Stock code

376

Management Discussion and Analysis

Overview

During the Year, the global economy faced multiple challenges, including the growing of trade protectionism, the increase of regional tariff barriers, and the weakening of consumer spending due to rising prices. However, with the continued support of the central government, Hong Kong has introduced a number of measures to attract more tourists to Hong Kong and actively promoted cross-border financial and commercial activities, and the economy has achieved moderate growth. In view of the challenges and opportunities facing with the economic outlook, 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 and brokerage commission income etc. There is no material change in the Group's core business activities compared to that of year 2023.

For the Year, the Group's insurance revenue amounted to HK$2,799 million, representing an increase of 6.6% compared to that of HK$2,625 million for year 2023. The Group's consolidated profit amounted to HK$778 million compared to that of HK$713 million for the year 2023. The net profit attributable to equity shareholders of the Company amounted to HK$471 million compared to that of HK$397 million for the year 2023. The increase in net profit attributable to equity shareholders of the Company for the Year was mainly due to the benefit of the improvement of the Group's overall operating performance, including the improvement of YF Life's claims experience and effective expense control.

Consolidated Financial Results Review

The financial highlights of the Group were as follows:

Consolidated financial result analysis

For the year ended 31 December, HK$ million

Income	*2024*	*2023*	*Change %*
Net operating income	1,134	991	14
Net profit attributable to the owners	471	397	19
Basic earnings per share (HK$) (Note 1)	0.12	0.10	20
Final dividend proposed per share	-	-	N/A

At 31 December, HK$ million

	2024	*2023*	*Change %*
Total assets	96,042	90,149	7
Total comprehensive equity (Note 2)	23,913	23,629	1
Owner's comprehensive equity (Note 3)	16,168	16,045	1
Owner's comprehensive equity per share (HK$) (Note 4)	4.18	4.15	1

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

Note 2: The total comprehensive equity comprised of total equity and net contractual service margin ("CSM").

Note 3: The total owner's comprehensive equity comprised of total equity and net CSM attributable to the equity shareholders of the Company.

Note 4: The denominator is total issued shares as of 31 December of the respective years.

Analysis on profit for the year, HK$ million

	2024	*2023*	*Change %*
YF Life segment net operating income	1,167	1,036	13
Other financial services and corporate segment operating loss	(33)	(45)	(27)
Net operating income	1,134	991	14
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	(278)	(129)	1 time
- Investment return related to other financial service business	-	(101)	-
- Staff share award amortisation reversal	-	2	-
- Finance costs (Note 2)	(208)	(183)	14
- Other items (Note 3)	82	64	28
- Consolidation adjustments (Note 4)	48	69	(30)
Profit for the year	778	713	9
Less: non-controlling interests	(307)	(316)	(3)
Net profit attributable to the owners	471	397	19

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.

Changes in total comprehensive equity

The table below sets forth the movement in comprehensive equity which is the total of net assets and net CSM. Comprehensive equity represents the aggregate value of historical profit and future profitability from in-force business net of cumulative returns to shareholders.

HK$ million	*2024*	*2023*
Balance at 1 January	23,629	23,566
Share based payment transaction	-	(2)
Profit for the year	778	713
Foreign exchange reserve and tax	(24)	48
Net fair value reserve and other movement (Note 1)	(470)	(696)
Balance at 31 December	23,913	23,629
Attributable to:		
- equity shareholders of the Company	16,168	16,045
- non-controlling interests	7,745	7,584
Total comprehensive equity	23,913	23,629

Note 1: Net fair value reserve included the net insurance finance reserve recognised in other comprehensive income. Net CSM movement is included in other movement.

<u>Insurance Business Review</u>

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

Overview

During the year 2024, 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 is committed to meeting our clients' various needs by continuously enhancing our product offerings and maintaining a diversified product suite. Our four flagship products include: (i) the "Prosperous Infinity Saver", a flexible participating savings plan that we launched at the beginning of the year to allow our customers to accumulate wealth, including key features such as multiple policy currency exchange, flexible policy-split, bonus lock-in, premium holiday, and also the freedom to convert the cash value into lifetime annuity income; (ii) the "PrimeHealth" series which are critical illness products covering a wide range of illnesses; (iii) the "FLEXI-ULife Prime Saver", a flexible universal life insurance plan; and (iv) the "MY Flexi Lifetime Annuity", a plan providing guaranteed lifetime annuity income to act as a safety net during the customer's retirement.

As of 31 December 2024, the tied agency force consisted of approximately 2,979 (2023: 3,050) agents in Hong Kong and Macao. In addition to the tied agency force, we also utilise brokers and agency intermediaries as well as banks and other financial institutions to distribute insurance products. The insurance business division has approximately 545 (2023: 518) employees and more than 537,000 (2023: 536,000) in-force individual policies.

During the year 2024, we continued to develop and grow our tied agency to increase penetration in market while also seeking to expand our brokerage and agency intermediary distribution channel. For our bancassurance distribution channel, while reinforcing our existing partnership relationships with banks, we launched a new partnership and explored opportunities with various 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 business growth and enhance channel development. To bolster our brand presence, we dedicated resources to various promotional initiatives aimed at increasing our brand exposure and awareness both online and offline. Technology empowerment remains one of the Company's core values. We introduced new features in our sales and customer platforms to enhance sales efficiency and provide a seamless customer experience. In 2024, our commitment to excellence was recognized through several prestigious awards. These accolades underscore our dedication to delivering exceptional products and services to our customers, reinforcing our market position and commitment to innovation.

Non HKFRS supplementary financial information

Total Premium and Fee Income

Total premium and fee income ("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 year ended 31 December		*%*
	2024	*2023*	
	HK$ million	HK$ million	
Total premium and fee income	12,383	11,923	4

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

Business Volume

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

i) By geographical region

	For the year ended 31 December			
	2024		*2023*	
	HK$ million	%	HK$ million	%
Hong Kong	9,343	75	7,969	67
Macao	3,040	25	3,954	33
	12,383	100	11,923	100

(ii) By distribution channel

	For the year ended 31 December					
		2024 HK$ million			*2023* HK$ million	
	Hong Kong	*Macao*	*Total*	*Hong Kong*	*Macao*	*Total*
Tied agency	4,718	1,300	6,018	4,727	1,252	5,979
Brokers and non-tied agency	4,012	1,436	5,448	2,632	1,405	4,037
Banks and other financial institutions	613	304	917	610	1,297	1,907
	9,343	3,040	12,383	7,969	3,954	11,923

(iii) By product type

	For the year ended 31 December					
		2024 HK$ million			*2023* HK$ million	
	Hong Kong	*Macao*	*Total*	*Hong Kong*	*Macao*	*Total*
Regular premium - First year	2,283	229	2,512	1,777	583	2,360
Regular premium - Renewal	6,682	2,768	9,450	5,727	3,319	9,046
Single premium	374	39	413	462	48	510
Fee income	4	4	8	3	4	7
	9,343	3,040	12,383	7,969	3,954	11,923

Embedded Value and Value of New Business

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

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

The embedded value of the insurance business as at 31 December 2024 is HK$21,089 million (31 December 2023: HK$20,718 million) with breakdown as below.

HK$ million

	31 December 2024	*31 December 2023*	*Change %*
Adjusted Net Worth (“ANW”) (Note 1)	16,939	10,108	68
Value of in-force (“VIF”) business after CoC (Note 2)	4,150	10,610	(61)
Embedded value	21,089	20,718	2

Note 1: The ANW represents the market value of assets in excess of the assets backing the policy reserves and other liabilities. The ANW change is mainly due to the decrease in liabilities outweighing the mark-to-market impact on assets upon the adoption of the Hong Kong Risk-based Capital (HKRBC) regime.

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.

The new business value of the insurance business for the year ended 31 December 2024 is HK$685 million compared to that of HK$1,009 million as of last year, which is primarily driven by the change in product mix. The annual premium equivalent (APE) for 2024 amounted to HK$2,736 million remains stable compared to last year. In particular, our agent channel recorded an APE growth of 28.3% compared to that of 2023.

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

Key Financial Data of Insurance Business Segment

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

	2024 HK$ million	*2023* HK$ million	*Change %*
Insurance revenue (Note a)	2,801	2,627	7
Insurance service expenses (Note b)	(2,108)	(2,054)	3
Net expenses from reinsurance contracts	(59)	(26)	1 time
Insurance service result (Note c)	634	547	16
Investment return	3,706	3,133	18
Net finance expenses from insurance contracts (Note d)	(3,098)	(2,294)	35
Net finance income from reinsurance contracts (Note d)	247	85	2 times
Movement in investment contract liabilities	(203)	(208)	(2)
Net financial result	652	716	(9)
Revenue from investment management services and other income	101	89	13
Other operating expenses (Note e)	(289)	(274)	5
Profit before taxation	1,098	1,078	2
Taxation	(126)	(105)	20
Profit after taxation	972	973	-

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

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

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

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

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

Net Operating Income

For management decision making and internal performance management purpose, the Group refers to the net operating income ("NOI") representing profit generate from core business activities for the Year increase by 13% to HK$1,167 million.

	2024 HK$ million	*2023* HK$ million	*Change %*
Insurance service result (Note 1)	580	471	23
Investment result (Note 2)	886	839	6
Others (Note 3)	(299)	(274)	9
Net operating income	1,167	1,036	13
Adjust for the following income and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate (Note 4)	(278)	(128)	1 time
- Other transactions (Note 5)	83	65	28
Profit for the year	972	973	-

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.

	2024 HK$ million	*2023* HK$ million	*Change %*
Net CSM release	646	622	4
Impact of variances and risk adjustment net of reinsurance result	(66)	(151)	(56)
Insurance service result	580	471	23

Net Operating Income (continued)

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 a larger pool of investment assets.

	2024 HK$ million	*2023* HK$ million	*Change %*
Interest income and others	2,985	2,759	8
Investment return for equities	247	255	(3)
Insurance finance expenses and others	(2,346)	(2,175)	8
Investment result	886	839	6

The investment result excludes income arising from investment-linked products and direct participating products.

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

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

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

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

Assets and Liabilities

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

	As at 31 December 2024 HK$ million	*As at 31 December 2023* HK$ million
Investments (excluding unit-linked investments)	72,031	67,624
Unit-linked investments	5,663	5,748
Cash and deposits	4,895	4,311
Reinsurance contract assets	6,791	6,518
Other assets	2,684	2,192
Total assets	92,064	86,393
Insurance contract liabilities	69,618	63,577
Investment contract liabilities	5,096	5,122
Other liabilities	1,512	1,350
Total liabilities	76,226	70,049
Net assets	15,838	16,344
Net CSM	8,219	7,224
Comprehensive equity	24,057	23,568

Assets and Liabilities (continued)

As at 31 December 2024, the asset allocation of debt securities, loans and receivables, equity securities are approximately 85%, 6% and 9% of the investments (excluding unit-linked investments) respectively. As at 31 December 2024, 98.1% (2023: 97.9%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. As at 31 December 2024, 82.6% (2023: 88.0%) of the loans and receivables are investment grade rated (i.e. BBB- or above) as assessed by internal rating analysis with the support from external investment manager using similar credit rating methodology from reputable credit rating agencies.

As at 31 December 2024, the total assets under management ("AUM") of insurance business including those managed through non-consolidated entities like MPF schemes amounted to HK$88,379 million (31 December 2023: HK$84,384 million).

Investment Assets

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

	As at 31 December	
	2024	*2023*
	HK$ million	HK$ million
General investment and surplus assets		
Debt securities	62,834	61,172
Loans and receivables	4,317	5,035
Equity securities	2,590	2,436
Cash for investment	1,948	475
	71,689	69,118
Direct participating contracts		
Debt securities	4,413	1,317
Equity securities	3,366	2,060
Cash for investment	859	1,840
	8,638	5,217
Unit-linked		
Equity securities	5,663	5,748
	85,990	80,083

Insurance Contract Liabilities and Reinsurance Contract Assets

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

	As at 31 December 2024 HK$ million	*%*	*As at 31 December 2023* HK$ million	*%*
Fulfilment cashflow	54,608	87	49,835	87
Net CSM	8,219	13	7,224	13
Net balance	62,827	100	57,059	100
Comprised of:				
Insurance contract liabilities	69,618		63,577	
Reinsurance contract assets	(6,791)		(6,518)	
	62,827		57,059	

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

	Notes	*2024* HK$ million	*2023* HK$ million
CSM Value as at 1 January		7,224	7,304
New business CSM	a	732	1,031
Expected unwind	b	183	164
Economic variances	c	48	23
Experience variances	d	727	(679)
Exchange rate impact		(49)	3
CSM release	e	(646)	(622)
CSM Value as at 31 December		8,219	7,224

Insurance Contract Liabilities and Reinsurance Contract Assets (continued)

Note

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

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

c) It represents the impact of economic variance and assumption change. Economic variance and assumption change mainly related to financial related adjustment including underlying market price change.

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.

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 2024 remains stable compared with 2023.

Comprehensive Equity Movement

The table below sets forth the movement in comprehensive equity which is the total of net assets and net CSM. Comprehensive equity represents the aggregate value of historical profit and future profitability from in-force business net of cumulative returns to shareholders.

	2024 HK$ million	*2023* HK$ million
Balance as at 1 January	23,568	23,096
Net profit for the year	972	973
Foreign exchange reserve and tax	(16)	70
Net fair value reserve and other movement (Note 1)	(467)	(571)
Balance as at 31 December	24,057	23,568

Note 1: Net fair value reserve included the net insurance finance reserve recognised in other comprehensive income. Net CSM movement is included in other movement.

Key Operational Data of the Insurance Division

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

	As at 31 December	
	2024	*2023*
Number of employees		
- Hong Kong	508	478
- Macao	37	40
Number of tied agents		
- Hong Kong	2,155	2,172
- Macao	824	878
Number of brokers and non-tied agents	518	504
Number of bancassurance partners	7	6
MDRT qualifiers (Note 1)	243	262
Expenses ratio (Note 2)	8.5%	8.4%

Notes:

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

2. Expenses ratio is operating expenses expressed as a percentage of total weighted premium income. Last year comparative is updated based on current year basis.

Financial Strength and Solvency Margin

During the year ended 31 December 2024, our insurance business has strictly adhered to the regulatory minimum capital requirement as determined at the relevant time in accordance with the Insurance Ordinance (“IO”) and maintain sufficient available capital for operation purpose.

The Hong Kong Risk-based Capital (“HKRBC”) regime was effective on 1 July 2024 under the IO. The HKRBC solvency ratio of YF Life as at 31 December 2024 is assessed and calculated to be over 240% (unaudited), representing a 37% increase compared to 203% (unaudited) as at 31 December 2023, which is higher than the regulatory minimum solvency ratio requirement of 100%. Our insurance division will continue to strictly adhered to the HKRBC regime and maintain sufficient available capital for operation purpose.

<u>Other Businesses Review</u>

During the Year, securities business was exposed to continuous downward pressure of the market condition and interest rate hikes. The financial technology business continued to promote the Company’s strategic adjustments, accelerated system optimisation and reduced overall costs. The securities business will undergo compression through divestment and restructuring initiatives, aligning with the Group's strategy for the insurance business to further enhance financial performance.

Prospects

Looking ahead, the Group will keep placing a strong emphasis on the insurance business, continuing to expand YF Life's market scale and influence. We believe that the market still has a huge demand for high-quality insurance products, and we will strive to improve the level of products and services to create long-term value growth for customers and the Group.

Liquidity and Financial Resources

As at 31 December 2024, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK$5,603 million (2023: HK$5,233 million). As at 31 December 2024, the Group has HK$1,385 million (2023: HK$1,399 million) bank borrowing outstanding and HK$1,641 million (2023: HK$1,641 million) shareholder’s loan outstanding. The Group’s gearing ratio as at 31 December 2024 is 16.16% (2023: 15.61%), which was measured as total debt excluding those operation related liabilities to total debt excluding those operation related liabilities plus equity.

Capital Structure

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

Risk Factors

In 2024, the Group carried out timely and complete identification and evaluation to manage the key risks. The identified risks are being monitored according to the risk appetite and the related regulation by the board of directors and also the related committees assisting the board.

(i) Strategic Risk

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

(ii) Insurance Risk

Management considers insurance risk mainly comprised:

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

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

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

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

Risk Factors (continued)

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

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

(iv) Operational Risk

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

Risk and management control

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

Material Acquisitions and Disposals of Subsidiaries and Associates

The Group did not have any material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2024.

Charges on Assets

At the year ended 31 December 2024, the Group did not have any charges on assets, other than security deposits of HK$22,415,000 (2023: HK$26,655,000) for banking facilities, HK$381,305,000 (2023: Nil) of investment pledged to a broker for securities margin trading and HK$20,188,874,000 (2023: HK$18,717,825,000) of investment together with HK$965,904,000 (2023: HK$907,291,000) of fixed bank deposit in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

Commitments

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

Segment Information

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

Contingent Liabilities

Details of contingent liabilities are set out in Note 45 to the consolidated financial statements.

Staffing and Remunerations

As at 31 December 2024, the Group employed 626 (2023: 611) full time employees, 552 (2023: 530) of which were located in Hong Kong, 37 (2023: 40) in Macao and 37 (2023: 41) in the People's Republic of China. The remuneration of employees includes salary retention package and discretionary bonus. The Group also adopted share option and share award schemes to provide an incentive to the employees.

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

Use of Net Proceeds from Subscription Shares

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

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

As set out in the announcement of the Company dated 21 June 2024 ("Optimisation of Use of Proceeds Announcement"), the Company has yet to identify any suitable investment, joint venture or acquisition opportunity as at the date of the Optimisation of Use of Proceeds Announcement. The Group has decided to re-allocate the Unutilised Proceeds in Strategic Investment in order to further enhance the efficiency of the use of the Unutilised Proceeds in Strategic Investment to bring higher returns and coordinate the Group's resources more efficiently to support its existing business. The specific adjustments and reasons are as follows: (i) HK$724.6 million is re-allocated towards funding the Group's business activity in principal investment, of which HK$509.4 million had been temporarily deployed to medium term investments deemed as fully utilised. The re-allocation is beneficial as it provides flexibility for the Group to make investments with a view to generate stable investment returns, which is consistent with the Company's Treasury Management Model as previously disclosed in the Circular and Financial Reports; and (ii) the remaining HK$500 million will be re-allocated as general working capital of the Group. The reason is that such re-allocation allows the Group to meet its general operational and business needs and provide financial support to cope with the economic uncertainties in the future, and to capitalise on potential business opportunities that may arise from time to time.

Use of Net Proceeds from Subscription Shares (continued)

The table below sets out the actual application of net proceeds of the Issue up to 31 December 2024:

	Initial allocation of net proceeds as stated in the Circular HK$ million	*Unutilised proceeds up to 31 December 2023* HK$ million	*Revised allocation as disclosed in the Optimisation of Use of Proceeds Announcement* HK$ million	*Actual usage from 1 Jan 2024 to 31 December 2024* HK$ million	*Unutilised proceeds up to 31 December 2024* HK$ million	*Expected timeline for utilising the remaining net proceeds*
Strategic investment	1,224.6	1,224.6	-	-	-	-
Asset management business	306.1	-	-	-	-	-
Securities brokerage business	306.2	-	-	-	-	-
Working capital (Note 1)	204.1	-	500.0	(100.0)	400.0	Expected to be fully utilised on or before 31 December 2027
Principal investment (Note 2)	-	-	724.6	(613.1)	111.5	Expected to be fully utilised on or before 31 December 2027
Total	2,041.0	1,224.6	1,224.6	(713.1)	511.5	

Use of Net Proceeds from Subscription Shares (continued)

Notes:

1. 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, office equipment expenses and repayment of the Group's bank borrowings.

2. mainly utilised on principal investment to make investments with a view to generate stable investment returns, which is consistent with the Company's Treasury Management Model.

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

Event after the Reporting Period

Details of event after the reporting period are set out in Note 46 to the consolidated financial statements.

Embedded Value

The Group has appointed PricewaterhouseCoopers Limited ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 31 December 2024 are consistent with standards generally adopted by insurance companies in Hong Kong.

1. Background

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

2. Definition

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

The EV equals to:

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

The ANW represents the market value of assets in excess of the assets backing the policy reserves and other liabilities.

The VIF before CoC is the present value of future estimated after-tax statutory profits from in-force business, discounted at the risk discount rate as at 31 December 2024. Cost of Capital is the difference between the amount of required capital as at 31 December 2024 and the present value of future releases, allowing for future after-tax investment earnings on the capital.

Similarly, the new business value is calculated as the difference of new business value before CoC and CoC arising from new business sales in the period. The new business value before CoC is the present value, discounted at issue date, of future estimated after-tax statutory profits emerging from new business sales in the past 12 months, i.e. 1 January 2024 to 31 December 2024.

3. Basis of preparation

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

In determining the value of in-force business, our insurance segment's in-force policy databases as at 31 December 2024 were used. New business volumes and mix were based on the actual business written by our insurance segment in the 12-month period from 1 January 2024 to 31 December 2024.

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

The Group has appointed PricewaterhouseCoopers Limited ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 31 December 2024 are consistent with standards generally adopted by insurance companies in Hong Kong.

4. Cautionary statement

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

5. Embedded value of YF Life

5.1 Embedded value

	31 December 2024 HK$ million	*31 December 2023* HK$ million
Adjusted Net Worth	16,939	10,108
Value of in-force business before cost of capital	6,861	13,187
Cost of capital	(2,711)	(2,577)
Embedded value	21,089	20,718
Attributable to:		
Owners of the Company	14,720	14,461
Non-controlling interests	6,369	6,257
Embedded value	21,089	20,718

5.2 New Business value

	For the past 12 months as of 31 December 2024 HK$ million	*For the past 12 months as of 31 December 2023* HK$ million
New Business Value before cost of capital	833	1,232
Cost of capital	(148)	(223)
New Business Value after cost of capital	685	1,009

5.3 Movement analysis of embedded value

	Notes	*2024* HK$ million	*2023* HK$ million (restated)
Embedded Value as at 1 January		20,718	20,587
Impact of HKRBC adoption	a	93	-
New business value	b	685	1,009
Expected return on Embedded value	c	1,584	1,684
Non-economic assumption and model changes	d	(321)	(2,401)
Economic assumption and investment return variance	e	(1,151)	259
Other experience variance and exchange rate impact	f	(519)	(420)
Embedded Value as at 31 December		21,089	20,718

Note:

a) Impact of HKRBC adoption on the Embedded Value, as at 1 July 2024

b) New business contribution from sales of new business in the past one-year

c) Return on value of in-force business plus expected interest on Adjusted Net Worth

d) Impact of non-economic assumption and model changes on the future distributable earnings of the in-force business

e) Impact of economic assumption changes on the future distributable earnings of the in-force business and differences between the actual investment returns and expected investment returns

f) Differences between the actual experience and expected experience for mortality, morbidity, lapses, and expenses

Certain comparative figures are restated to be consistent with current year presentation.

5.4 *Key assumptions*

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

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

Risk discount rate

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

We use risk discount rate of 8.75% for 31 December 2024 and 31 December 2023 as the base scenario assumption for both in-force and new business.

Investment returns

Future investment returns have been set in accordance with current market condition and long-term expected return, having regard to market yield, the forward rate yields available on US government bonds, credit spreads that reflects the risk of default and equity return of underlying assets.

Credit rate

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

Mortality

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

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

Morbidity

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

Lapse

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

The lapse assumptions vary by products and policy duration.

Operating expenses

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

Inflation rate

Future inflation rate was assumed to be 2% per annum for 2024. This assumption is based on expectations of long-term consumer price and salary inflation.

Taxation

A tax rate of 0.825% of net premium income for Hong Kong business and 12% of pre-tax statutory profit for Macao business has been assumed for 2024.

Required capital

Starting from 1 July 2024, the required capital was targeted at 100% of the Prescribed Capital Amount under the Hong Kong Risk-based Capital regime.

Prior to 1 July 2024, the required capital was targeted at 150% of the required minimum solvency margin under the Hong Kong Insurance Ordinance.

Statutory valuation

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

Starting from 1 July 2024, the statutory valuation basis under the Hong Kong Risk-based Capital regime is adopted in EV calculation.

In case statutory reserves of certain lines of business are insufficient to meet the value of future policyholder cash flows, the negative value of in-force business of these business lines would be eliminated by reducing the adjusted new worth.

Reinsurance

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

5.5 Sensitivity testing

We performed sensitivity analysis on the embedded value and the new business value as at 31 December 2024, by independently varying certain assumptions regarding future experience. Specifically, the following changes in assumptions have been considered.

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

For the year 2024 Assumptions	*Embedded value* HK$ million	*New business value after cost of capital* HK$ million
Base scenario	21,089	685
Investment return increased by 50 basis points per annum	21,377	720
Investment return decreased by 50 basis points per annum	20,785	647
Risk discount rate increased by 50 basis points	20,675	648
Risk discount rate decreased by 50 basis points	21,550	727
10% increase in lapse rate and skip premium rates	20,337	659
10% decrease in lapse rate and skip premium rates	21,915	713
10% increase in mortality and morbidity rates and loss ratios	20,017	651
10% decrease in mortality and morbidity rates and loss ratios	22,161	716
10% increase in acquisition and maintenance expenses	20,787	640
10% decrease in acquisition and maintenance expenses	21,391	730

Biographical Details of Directors and Senior Management

Chairman

Mr. Yu Feng, aged 61, was appointed as the Chairman and a non-executive Director and the chairman of the Nomination Committee in November 2015. Mr. Yu is the co-founder and the chairman of Yunfeng Capital, a private equity firm founded by Mr. Yu together with other entrepreneurs in 2010.

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

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

Executive Director

Mr. Huang Xin, aged 49, was appointed as an executive Director and a member of the Remuneration Committee in November 2015, and has been appointed as the interim chief executive officer of the Company on 18 October 2024. Mr. Huang is a partner and a member of the investment committee of Yunfeng Capital. Mr. Huang served as the vice president of Shanghai Kaituo Capital Limited from 2006 to 2010, and was the vice president of finance at Target Media Holdings Limited from 2005 to 2006. Mr. Huang worked at General Electric Company from 1997 to 2005.

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

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

Non-Executive Directors

Mr. Michael James O'Connor, aged 56, was appointed as a non-executive Director in March 2020. Mr. O'Connor is the General Counsel of MMLIC, leading its legal, compliance, government relations, internal audit and corporate governance functions. MMLIC is the sole member of MMI, a substantial shareholder of the Company. Mr. O'Connor was appointed as a manager of MMI, a substantial shareholder of the Company on August 2020. He is a member of MMLIC's Executive Leadership team. Mr. O'Connor initially joined MMLIC's Law Division in 2005 and from 2008 to 2011, he led the company's corporate law and government relations teams. From 2011 to 2017, Mr. O'Connor served in a number of business leadership positions at MMLIC, first as the chief of staff to MMLIC's CEO Roger Crandall and later as the head of corporate development and mergers and acquisitions and then as the head of MMLIC's international insurance operations.

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

Ms. Hai Olivia Ou, aged 45, was appointed as a non-executive Director in November 2015, and was re-designated as an executive Director and was appointed as the interim chief executive officer in February 2020. She has ceased to be the interim chief executive officer in October 2020 and was re-designated as a non-executive Director in August 2022. Ms. Hai had served as a managing director of Yunfeng Capital and specialises in investments and management related to the financial services industry, especially on investments in Internet Finance and strategic management in insurance company. Prior to joining Yunfeng Capital, Ms. Hai was an actuarial partner at Deloitte China from 2012 and was engaged in the provision of consulting services to overseas and domestic insurance companies. Ms. Hai has also worked at HSBC Insurance (Asia) Limited in Hong Kong from 2010 to 2012 and PricewaterhouseCoopers LLP in the United Kingdom from 2002 to 2010.

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

Independent Non-Executive Directors

Mr. Qi Daqing, aged 60, was appointed as an independent non-executive Director, and a member of the Audit Committee, Nomination Committee and Remuneration Committee in February 2016. In March 2019, Mr. Qi was appointed as the chairman of the Remuneration Committee. Mr. Qi is currently a professor of Cheung Kong Graduate School of Business where he previously served as a director and an associate dean of the executive master of business administration department. Mr. Qi's research interests primarily focus on financial accounting, financial reporting and their impact on corporate business strategy. Mr. Qi has published many articles in accounting and finance journals. Mr. Qi worked at The Chinese University of Hong Kong and the Feature Syndicate of the Department of Home News for Overseas, Xinhua News Agency prior to joining Cheung Kong Graduate School of Business in 2002.

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

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

Mr. Chu Chung Yue, Howard, aged 76, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee in August 2011. Mr. Chu was the vice president, Asia and the chief representative, China of Teck Resources Limited. Mr. Chu was responsible for the development of Asian strategies for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1978 to 2007 and was the vice president, Asia and the chief representative, China from 2007 to April 2011.

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

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

Independent Non-Executive Directors (continued)

Mr. Xiao Feng, aged 63, was appointed as an independent non-executive Director, and a member of the Audit Committee and Remuneration Committee in March 2019. Mr. Xiao is currently the vice chairman and an executive director of China Wanxiang Holding Co., Ltd. (中國萬向控股有限公司). Since 2018, Mr. Xiao also serves as the chairman and chief executive officer of HashKey Group. Mr. Xiao has more than 27 years of experiences in finance, asset management and securities management and had served key positions in different institutions including securities management office of the People's Bank of China, Shenzhen Branch from 1992 to 1993, Securities Management Office of Shenzhen from 1993 to 1998 and Bosera Fund Management Co., Ltd. from 1998 to 2011. Since 1998, Mr. Xiao has also been appointed as the director, the chairman and the president of various finance companies, fund or asset management companies, trust companies and insurance companies.

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

Corporate Governance Report

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

Throughout the Year, the Company has adopted and complied with the applicable code provisions of the Corporate Governance Code ("CG Code") in force during the Year as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") , save and except for the deviations of CG Code provision C.1.6, which is explained in the relevant paragraph of this report.

Code of Conduct for Securities Transactions

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

The Board

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

The Board (continued)

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

Chairman

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

Executive Director

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

Non-executive Directors

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

Independent non-executive Directors

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

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

For a Director to be considered independent, that Director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the year ended 31 December 2024 and the Company considers that they are independent.

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

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

The Board (continued)

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

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

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

	Number of meetings attended in the year ended 31 December 2024/ Number of meetings eligible to attend				
	Board	*NC*	*RC*	*AC*	*AGM (Note)*
Chairman					
Mr. Yu Feng (non-executive Director)	4/4	0/1	-	-	1/1
Executive Directors					
Mr. Fang Lin (resigned on 18 October 2024)	3/3	-	-	-	1/1
Mr. Huang Xin	4/4	-	-	-	1/1
Non-executive Directors					
Mr. Michael James O'Connor	4/4	-	-	-	0/1
Ms. Hai Olivia Ou	3/4	-	-	-	0/1
Independent non-executive Directors					
Mr. Qi Daqing	2/4	1/1	-	1/2	0/1
Mr. Chu Chung Yue, Howard	4/4	1/1	-	2/2	1/1
Mr. Xiao Feng	4/4	-	-	2/2	0/1

The Board (continued)

Note:

NC - Nomination Committee
RC - Remuneration Committee
AC - Audit Committee
AGM - annual general meeting held on 21 June 2024

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

Code Provision C.1.6 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings, to gain and develop a balanced understanding of the views of shareholders. Two non-executive Directors and two independence non-executive directors were unable to attend the annual general meeting of the Company held on 21 June 2024 due to their other business engagements. However, there were sufficient Directors, including executive Directors, independent non-executive Director and non-executive Directors, present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Directors' Induction and Continuing Professional Development

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

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

Directors	***Continuing Professional Training on corporate governance, regulatory development and other relevant topics***
Chairman	
Mr. Yu Feng (non-executive Director)	✓
Executive Directors	
Mr. Fang Lin (resigned on 18 October 2024)	N/A
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	✓

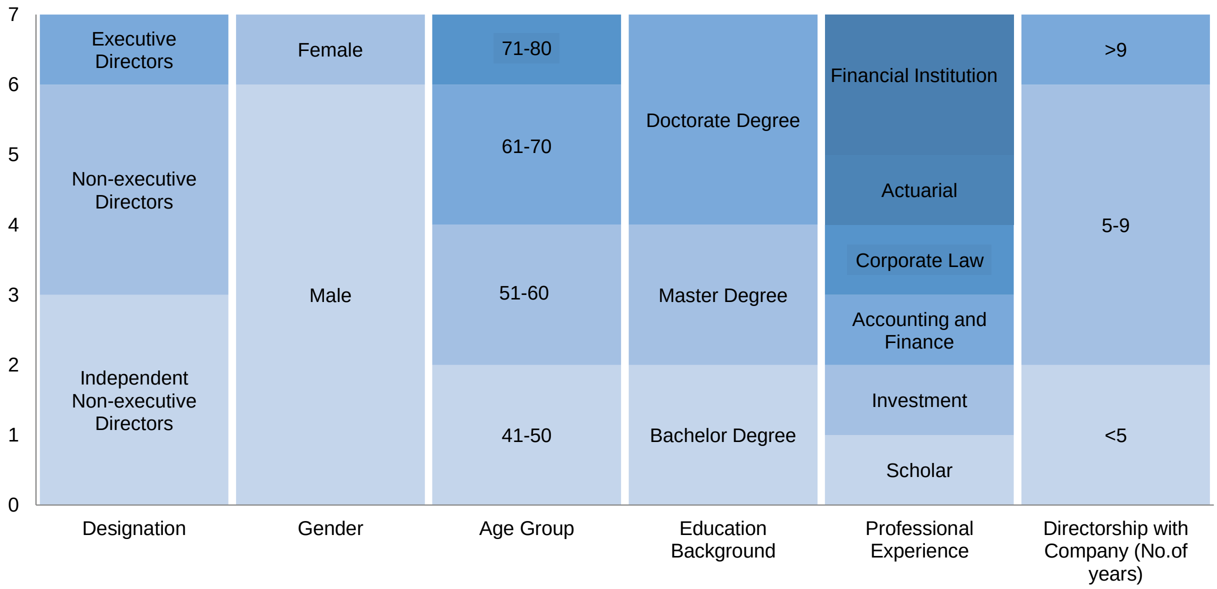
Board Diversity Policy

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

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

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

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



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

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

Board Independence

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

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

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

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

Board Committees

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

Remuneration Committee

The Remuneration Committee was chaired by Mr. Qi Daqing with existing members of Mr. Huang Xin, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng. The Remuneration Committee is responsible to make recommendation to the Board on the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee shall meet as and when required to consider remuneration related matters such as making recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management, and to assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. During the Year, the Remuneration Committee held 1 meeting. The written terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange. Code provision E.1.2(c)(ii) was adopted by the Remuneration Committee.

Remuneration Committee (continued)

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

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

Nomination Committee

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

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

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

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

Nomination Committee (continued)

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

During the Year, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure of the Board and the Board Diversity Policy, and considered the nomination of director and CEO and nomination of the retiring Directors for re-election based on the nomination policy. In considering the nomination of appointment and/or re-appointment of directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, experience, skills, professional qualifications, independence and ability to commit time etc, and made recommendation to the Board for approval.

Audit Committee

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

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

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

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

Whistle-blowing and Anti-corruption

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

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

Auditor's Remuneration

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

Nature of services	*31 December 2024* HK$'000	*31 December 2023* HK$'000
Audit services	15,900	23,463
Non-audit services	984	883
Total	16,884	24,346

Responsibilities for Preparing the Financial Statements

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

Risk Management and Internal Control

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

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

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

Organisation

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

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

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

Risk Management and Internal Control Systems

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

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

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

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

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

Risk Management and Internal Control Review

The review of the effectiveness of the Group's risk management and internal control systems is conducted at least annually. During the Year, the management of the Group regularly conducted risk assessment and management, and to review the Group's risk management and internal control systems. The risk committee of the Board of Subsidiary held 3 meetings and regular management meetings were also conducted to discuss routine risks monitoring. In 2024, various risks were identified, monitored and reported by risk management function, legal function and compliance function. Corresponding measures against those risks were implemented. The risk management department implemented the internal audit function at the Group level and conducted internal audit mainly on department's operational risks including description of existing workflow and cases sampling inspection, which focuses on the inspection of problems and deficiencies that have occurred, in addition to tracking and recording follow-up improvements. For the Main Subsidiary, internal audit department has conducted internal control reviews for various business functions throughout the Year including operational, management information systems and regulatory compliance reviews. The audit engagements are performed according to the risk-based and strategically-aligned audit plan which was approved by the audit committee of the Board of Subsidiary. Issues raised for improvement had been identified and appropriate actions were recommended. The major risks and benchmarks are set out in Report of the Directors of this announcement.

Risk Management and Internal Control Review (continued)

The Risk Management and Internal Control Reports were presented to the Audit Committee of the Board for review in March 2025 and the reports show that as of the time when the annual review is conducted, all risk assessment tests and risk monitoring reports showed stable trends and favorable results and no major risk incidents or events that have caused significant financial losses to the Group have been identified. The Audit Committee of the Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and considered that the risk management and internal control systems were effective and adequate.

Dissemination of Inside Information

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

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

- is well aware of its obligations under the SFO, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the SFC

- informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the SFC and the Stock Exchange

- has developed procedures and mechanisms for the disclosure of inside information

- has included in its compliance manual a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff

- has established and implemented procedures for responding to external enquiries about the Company's affairs. Only Directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas

Company Secretary

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

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

Shareholders' Right

How Shareholders Can Convene an Extraordinary General Meeting ("EGM")

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

Procedures for Putting Forward Proposals at a General Meeting

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

Investor Relations and Dividend Policy

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

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

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

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

Constitutional Documents

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

Hong Kong, 28 March 2025

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements for the year ended 31 December 2024.

Principal Activities

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

Business Review

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

Key Risks and Uncertainties

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

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

Regulatory risk

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

Key Risks and Uncertainties (continued)

Insurance risks

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

Market risks

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

Currency exchange risks

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

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

In year 2024, majority of HKD liabilities were hedged by currency swaps and forward contracts.

Key Risks and Uncertainties (continued)

Investment and interest rate risks

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the Main Subsidiary controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities.

To assess the ability of the Main Subsidiary to withstand adverse change in interest rates, Sensitivity Analyses are performed regularly. According to the latest report (Own Risk and Solvency Assessment (ORSA) Report for the financial year ended 31 December 2023), all the sensitivity scenario tests related to investment and interest rate risks are satisfactory.

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

Credit risks

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

The Main Subsidiary attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors as well as purchasing credit default swaps to transfer some of the risk if necessary. For year 2024, there is no active breach in concentration limit nor industry limit. Considering the resilience of the business to counterparty default events, the credit risk exposure is maintained within acceptable levels.

Key Risks and Uncertainties (continued)

Cyber risks

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

For the year of 2024, the top cyber threats under concerns also includes:

a) Data breaches, encompassing leakage, loss, or theft, expose confidential information to unauthorized parties, both internal and external. This can stem from various sources, including insider threats or third-party breaches.

b) Phishing, Social Engineering and Business Email Compromise (BEC). Cybercriminals use deceptive tactics like phishing emails, impersonation or manipulation to trick employees or customers into revealing sensitive information or initiating unauthorized transactions.

c) Attrition or denial of service. An attempt to make online service unavailable by overwhelming them with traffic from multiple sources; attacks that compromise, degrade, or destroy systems or networks, over time.

d) Improper usage. Any unauthorized activity resulting in violation of the Company's technology acceptable use policy by an authorized user.

e) Insider threat. An insider threat can occur from people who have some level of access to the Group's networks, computer system(s), email or data, including: employees, former employees, contractors, business associates, or anyone who intentionally misuses that access to negatively affect the confidentiality, integrity, and availability of the Group's information or information systems.

f) Malware or ransomware are malicious software designed to infiltrate and damage computer systems, often leading to data encryption or theft. These attacks can disrupt business operations, compromise sensitive information, and result in significant financial losses through ransom demands or recovery costs.

g) Remote working. Unsecured/open Wi-Fi connections, unattended computers, and data breaches are just some of the potential negative impacts the company may experience. Less information protection awareness, and it's a combination that can leave the company vulnerable to cyber-attacks.

h) Internet of Things (IoT). IoT is a network of intertwined devices, software, sensors, and other 'things' which enable the world to be connected throughout physical space. This can include business software, camera, smart home devices, or mobile phones. All of these things communicate with each other without the need for human interaction. This spider web contains vast amount of sensitive data and poses serious danger to information security.

Key Risks and Uncertainties (continued)

Cyber risks (continued)

i) Generative AI (GenAI) involves compliance with data protection laws and ethical guidelines governing the use of AI technologies. When deploying GenAI, the Company should be concerned about privacy and accountability of AI-generated content. It is crucial to ensure adherence to regulations, avoid incurring potential legal repercussions and maintain public trust.

The cyber risk was monitored in 2024, and the risk management and internal control report in year 2024 showed that the number of incidents was stable and manageable. There was no cyber issue to be reported.

Operational risks

Operational risk is the risk of loss (or unintended gain/profit) arising from inadequate or failed internal processes, or form personnel and systems, or from external events. The sources of operational risk are relatively wide. It may also be transformed to other types of risks. It summarizes the risks a company undertakes when it attempts to operate within a given field or industry.

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

Dividends

The Directors do not recommend the payment of a final dividend for the Year (2023: nil).

Share Capital

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

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2024 are set out in Note 36(c) to the consolidated financial statements.

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

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

Treasury Shares

The Company is a company incorporated in Hong Kong with limited liability, and is subject to Companies Ordinance (Chapter 622 of the laws of Hong Kong) and relevant laws and regulations in Hong Kong. According to provisions under the Companies Ordinance currently in force, the Company cannot hold any treasury share. As at the end of 31 December 2024, the Company did not hold (or hold through CCASS or deposit in CCASS) any treasury share.

Equity Linked Agreements

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

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

Share Option Scheme

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

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

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

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

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

Share Option Scheme (continued)

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

(i) representing in aggregate more than 0.1% of the total number of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

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

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

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

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

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

Share Award Schemes

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

2014 Share Award Scheme

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

The maximum number of Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 10% of the total Shares in issue as at the date of adoption of 2014 Share Award Scheme (i.e. 30 October 2014) (the "2014 Adoption Date"). 2014 Share Award Scheme expired on 30 October 2024 (the "Expiry Date"). Since the 2014 Adoption Date and up to the Expiry Date, a total of 9,330,239 Shares have been awarded under the 2014 Share Award Scheme, representing approximately 0.24% of the total Shares in issue as at the Expiry Date. Details and other principal terms of the 2014 Share Award Scheme are set out in the announcement of the Company dated 30 October 2014.

During the Year, no Shares had been awarded under 2014 Share Award Scheme and no awarded shares had been vested, cancelled or lapsed. No further awards will be granted under 2014 Share Award Scheme after the Expiry Date.

Upon the expiry of 2014 Share Award Scheme on 30 October 2024 (10 years from the 2014 Adoption Date), the Trustee disposed of all remaining lapsed shares in accordance with the Trust Deed. The net proceeds from such disposal, after deducting applicable expenses, were remitted to the Company during the Year. Further details of the 2014 Share Award Scheme are set out in Note 37 to the consolidated financial statements.

Share Award Schemes (continued)

2016 Share Award Scheme

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

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

Since the date of adoption of 2016 Share Award Scheme (i.e. 12 December 2016) (the "2016 Adoption Date") and up to the date of this report, 43,040,000 Shares have been awarded pursuant to 2016 Share Award Scheme, in aggregate representing about 1.11% of the total Shares in issue as at the date of this report.

During the Year, no Shares had been awarded under the 2016 Share Award Scheme. As at 31 December 2024, 15,395,000 Shares were held by TMF Trustee under the 2016 Share Award Scheme.

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

Share Award Schemes (continued)

The maximum number of shares can be issued or purchased under 2016 Share Award Scheme and 2014 Share Award Scheme is 10% of the Shares in issue from time to time (i.e. 386,799,167 Shares, representing 10% of total issued Shares as at the date of this report). 2014 Share Award Scheme expired on 30 October 2024. The total number of Shares which is available for being further issued under 2016 Share Award Scheme (i.e., 362,809,167 Shares) represents 9.38% of total issued Shares as at the date of this report.

Directors

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

Chairman

Mr. Yu Feng (Non-executive Director)

Executive Directors

Mr. Fang Lin (resigned on 18 October 2024)
Mr. Huang Xin (appointed as Interim Chief Executive Officer on 18 October 2024)

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

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

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

Changes of Directors' Information

There is no change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2024 interim report and up to the date of this report.

Directors of Subsidiaries

The names of directors who have served on the boards of the subsidiaries of the Company during the Year and up to the date of this report included: Yu Feng, Huang Xin, Qi Daqing, Chan Man Ko, Liu Shu-Yen, Xu Jinghui, Zhuo Shihao, Wong Gah Jih, Yu Tin Yau Elvin, Tse Chi Hung, Qiao Yimin[1], Liu Zhiguang, Leung Pui Hong, Chen Junhui, Fang Yingxue, Ke Chi Yu, Zhang Ting, Jiao Qi, Wang Jing[1], Li Wenjia[1], Anneka Bavalia[1], Ellen Christian[1], Ng Yu Lam Kenneth[2], Daniel Thomas Rewalt[2], Lorna Carroll[2], Yip Ka Lin Victor[2], Ku Sanqi[2] and Gao Ariana Jiasui[2].

Notes:

1 Companies in which they serve as directors are incorporated in places other than Hong Kong

2 No longer directors of the subsidiaries as at the date of this report

Directors' Service Contracts

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

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

As at 31 December 2024, the interests and short positions of each director of the Company and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, or known to the Company, were as follows:

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

		Number of Shares held	
Name of Director	***Capacity/Nature of interests***	***Long position***	***Percentage of shareholding***
Mr. Yu Feng *(Note1)*	Held by controlled corporation/Corporate interest	1,827,641,279	47.25%

Note:

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

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

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

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

Notes:

1. Mr. Yu Feng, the Chairman of the Group and a non-executive Director, was interested in 9,100 shares, representing 91% of equity interest in Key Imagination through YFHL, the substantial shareholder of the Company. Mr. Yu Feng was also interested in 7,321 shares, representing 73.21% of equity interest in Jade Passion through Key Imagination. Both Key Imagination and Jade Passion are substantial shareholders of the Company.

2. Mr. Huang Xin, an executive Director, is the sole shareholder of Perfect Merit Limited which owns 900 shares, representing 9% of the equity interest in Key Imagination.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/ or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

Directors' Rights to Acquire Shares

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

Substantial Shareholders' and Other Persons' Interests in Shares

As at 31 December 2024, the Company was notified of the following substantial Shareholders' and other persons' interests, being 5% or more of issued Shares and recorded in the register kept under Section 336 of the SFO.

		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%

Notes:

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

2. Massachusetts Mutual Life Insurance Company was interested in 960,000,000 Shares through its 100% controlled corporation "MassMutual International LLC".

Save as disclosed above, as at 31 December 2024, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under divisions 2 and 3 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Transactions, Arrangements or Contracts

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

Director's Interest in Competing Business

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

Connected Transactions and Continuing Connected Transactions

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

- MMI, which holds approximately 24.82% of the issued Shares, and hence a substantial shareholder and a connected person of the Company under Rule 14A.07 (1) of the Listing Rules;

- MMLIC, the sole shareholder of MMI, and hence an associate of MMI and a connected person of the Company under Rule 14A.13 (1) of the Listing Rules; and

- Barings LLC, a limited liability company organized in the State of Delaware, the U.S.A. and an indirect wholly-owned subsidiary of MMLIC, and hence an associate of MMI and a connected person of the Company under Rule 14A.13 (1) of the Listing Rules.

During the Year and up to the date of this report, the Group conducted the following transactions which constituted continuing connected transactions for the Company that are not exempt from annual reporting requirement under Chapter 14A of the Listing Rules, in respect of which a circular dated 21 December 2017 (the "2017 Circular"), an announcement dated 15 November 2019 (the "2019 Announcement"), an announcement dated 30 December 2020 (the "2020 Announcement"), an announcement dated 12 November 2021 (the "2021 Announcement") and an announcement dated 14 November 2024 (the "2024 Announcement") were issued.

Connected Transactions and Continuing Connected Transactions (continued)

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

Parties: Barings LLC and YF Life

Date: 15 December 2017

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

The initial term of the Barings Investment Advisory Agreement commenced from the 16 November 2018 to 15 November 2021, subject to Automatic Renewal Provisions. The Barings Investment Advisory Agreement was subsequently automatically renewed for three successive one-year terms from 16 November 2021 to 15 November 2024. Upon the expiry of the term on 15 November 2024, the Barings Investment Advisory Agreement was automatically renewed commencing from 16 November 2024 for an additional year, subject to Automatic Renewal Provisions thereafter ("Renewal of Barings Investment Advisory Agreement"). Either party may terminate the Barings Investment Advisory Agreement upon 30 days' written notice to the other party. The Company will re-comply with the applicable requirements under the Listing Rules as and when the Barings Investment Advisory Agreement is renewed after the expiry of the current term. For details, please refer to the 2020 Announcement, 2021 Announcement and the 2024 Announcement.

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

Connected Transactions and Continuing Connected Transactions (continued)

1. Barings Investment Advisory Agreement and Renewal of Barings Investment Advisory Agreement (continued)

Pricing terms: YF Life will pay to Barings LLC fees calculated at rates based on asset type on a quarterly basis in arrears. The fee rates range from 0.25 basis points to 100 basis points of the average net asset value of those respective portfolios of securities, cash and other property in the account for which YF Life has designated to Barings LLC for investment management as of the last business day of each month in the current quarter.

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

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

Annual caps: The maximum aggregate annual amount of fees payable by YF Life to Barings LLC for the years ending 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending 31 December (HKD'000)			
	2024	***2025***	***2026***	***2027***
Total fees	155,000	116,000	124,000	130,000

The aggregate amount paid by the Group in respect of, the Barings Investment Advisory Agreement and the Renewal of the Barings Investment Advisory Agreement for the year ended 31 December 2024 is approximately HK$84,119,000 (being 54% of the annual cap for 2024.)

Connected Transactions and Continuing Connected Transactions (continued)

All the independent non-executive Directors, having reviewed the transactions under the Barings Investment Advisory Agreement and the Renewal of the Barings Investment Advisory Agreement (the "2024 CCTs"), confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the Shareholder as a whole.

The Company has engaged its external auditor to report on the 2024 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention which caused it to believe that:

(i) the 2024 CCTs have not been approved by the Board;

(ii) the 2024 CCTs were not entered into, in all materials respects, in accordance with the relevant agreements governing such transactions;

(iii) the aggregate amount paid by the Group in respect of the 2024 CCTs has exceeded the annual cap of 2024 as disclosed in the 2021 Announcement.

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

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

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

Management Contracts

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

Major Suppliers and Major Customers

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

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

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

Charitable Donations

During the Year, no charitable donations is made by the Group (2023: nil).

Corporate Governance

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

Indemnity of Directors

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

Sufficiency of Public Float

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

Independent Auditors

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

Review by Audit Committee

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

Environmental Social and Governance Report

ABOUT THIS REPORT

Our Business

Listed on the Main Board of The Stock Exchange of Hong Kong Limited, Yunfeng Financial Group Limited principally engages in the provision of insurance products through YF Life, as well as other financial services covering brokerage, wealth and asset management, fintech business and principal investment.

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

Reporting standards and principles

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

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

In preparation of this ESG Report, the Group adheres to the four reporting principles in the ESG Code:

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

Reporting scope and boundary

This ESG Report covers the ESG policies and performance of the Group's operation in all jurisdictions from 1 January 2024 to 31 December 2024 ("reporting period"). The boundary includes our primary insurance business under YF Life and other non-insurance financial services, including brokerage, wealth and asset management, fintech business and principal investment.

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

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

Contact

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

OUR APPROACH TO ESG

ESG Governance and Risk Management

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

Within the insurance business of the Group ("Main Subsidiary"), its board of directors (the "Board of Subsidiary") has established its own Audit Committee and Board Risk Committee to provide guidance and support on risk management and internal controls. These committees regularly report to the Board of Subsidiary together with the management of the Main Subsidiary of the Group ("Management of Subsidiary"). In turn, the Board of Subsidiary reports to the management of the Group.

To support the Main Subsidiary's risk management work, the Management of Subsidiary established the Risk Management Committee, which is responsible for the continuous identification, monitoring, and reporting of risks to the Board Risk Committee. The Management of Subsidiary also authorises key management to supervise the internal audit functions and report identified control weaknesses to the Audit Committee.

As an organisation operating in the financial and insurance services sector, the Group is required to comply with all related laws and regulations, including the Hong Kong Securities and Futures Ordinance and the Insurance Ordinance. The internal control system is supervised by the Group's senior management, which consists of executive directors and heads of business functions from operations, finance, risk management, information technology, legal and compliance teams. They are responsible for the regular review of the overall risk management and effectiveness of internal controls across non-insurance business.

To effectively manage ESG-related issues, coordinators from both the insurance and non-insurance sectors collaborate with various departments to identify and address these issues, gathering both quantitative and qualitative data to compile the ESG report. The coordinators report directly to management and the Board to ensure the Group's ESG performance aligns with relevant goals and targets.

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Maintaining open and transparent communication with our stakeholders is important for us to understand their views on the issues that concern them the most. We have identified the following stakeholder groups and engage them regularly through various communication channels to gather their feedback and concerns.

Summary of key stakeholders' communication channels and topics

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

Materiality Assessment

We conducted stakeholder interviews and surveys to assess which ESG issues are material to our operations and key stakeholders. The results are reviewed regularly in response to significant changes in our operating environment and updates in ESG reporting standards. With no significant change to the Group's businesses or the industry, we consider that the material issues specified in the following sections remains relevant for the reporting period.

We prioritise the social aspect over the environmental aspect considering their materiality, with the most important issues being anti-corruption, customer privacy, and the health and safety of our employees. Moving forward, the Group will continue to engage with our stakeholders regularly to identify ESG risks and opportunities related to our business operations and monitor any changes in the sustainability reporting trends.

EMPLOYMENT AND LABOUR PRACTICE

The Group recognises that attracting and retaining talent is a cornerstone of our business sustainability. As our employees are our greatest asset, we strive to foster a workplace culture rooted in fairness, respect, diversity, inclusion, safety, and equity, which enables all individuals to thrive and contribute effectively to achieving our business objectives. Our human resources practices are governed by YF Life and the Group's Employee Handbook, which documents guidelines and conditions of employment, promotion, benefits and remuneration, training and development, and business conduct in accordance with relevant laws and regulations.

Employment

Talent recruitment and retention

We offer our employees a broad range of welfare and compensation offerings to attract and retain talents. These include share option and share award schemes, retirement and medical benefits, insurance coverage, and leave entitlement, all of which are aligned with market standards.

Our success is built upon the collective contribution of our employees. Recognising the importance of shared success, we reward individuals based on their annual appraisals. Additionally, we provide career development opportunities, such as the internal mobility programme, enabling employees to unleash their full potential while gaining exposure to diverse teams and clients.

Diversity and equal opportunity

The Group values a diverse workforce as it enables us to attract a wide variety of talents. We are committed to adhering to our Equal Employment Opportunity Policy, protecting employees' fundamental rights and maintaining fair and unbiased human resources management practices across recruitment, promotion, salary administration, and training opportunities. All employment decisions are made based on bona fide occupational requirements. We strictly prohibit any form of discrimination, harassment, bias, or prejudice against employees and job candidates due to their gender, age, disability, family status, race, marital status, or other statuses protected by local laws.

Employees are encouraged to report any suspected instances of non-compliance or violations to the Human Resources Department through designated whistle-blowing channels without fear of reprisal. Upon receipt of the suspected case, a thorough investigation will be conducted while maintaining the confidentiality of the whistle-blower's identity. Shall any cases be confirmed as violations, appropriate disciplinary measures will be implemented, which may include termination of employment for those involved.

To enhance leadership and corporate governance, the Group has established a Board Diversity Policy, underscoring our commitment to non-discrimination and equal opportunity. This policy provides guidance for achieving board diversity by considering a range of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age, and length of service. For further details, please refer to the Corporate Governance Report section of this announcement.

Labour practices

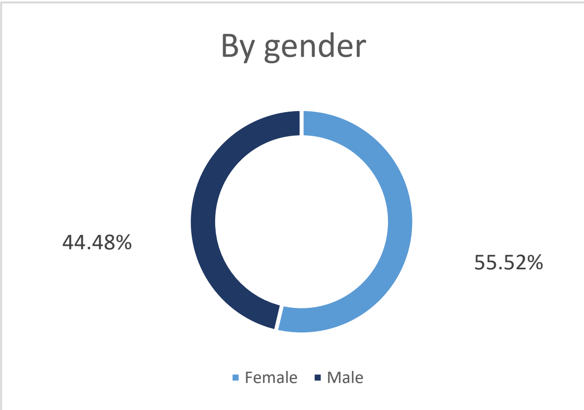
The Group adopts a zero-tolerance approach to all forms of child, illegal and forced labour practices. We strictly comply with all applicable laws and regulations in the jurisdictions where we operate, such as the Employment of Children Regulations and other regulations under the Employment Ordinance of Hong Kong. All job candidates are required to provide valid personal identification documents during the recruitment process for verification purposes.

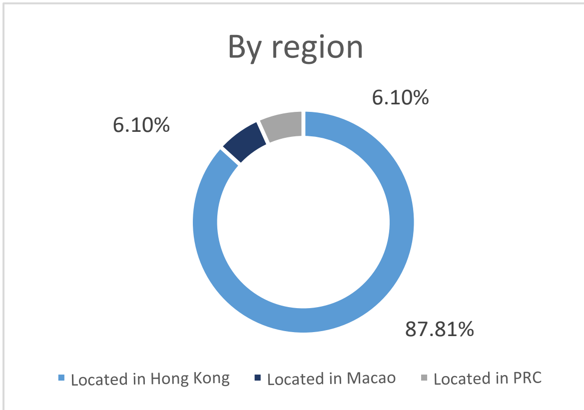
During the reporting period, we were not aware of any instance of non-compliance with relevant laws and regulations that have a significant impact on the Group related to human rights.

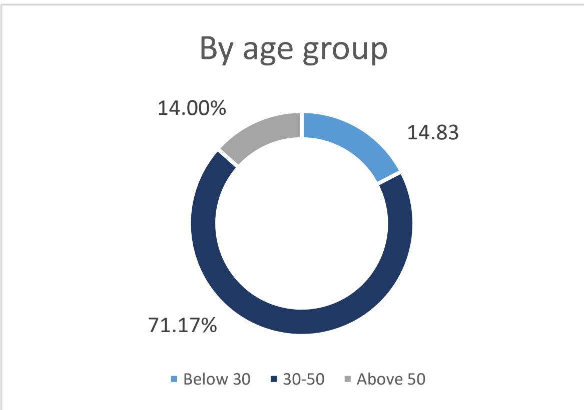
Our workforce

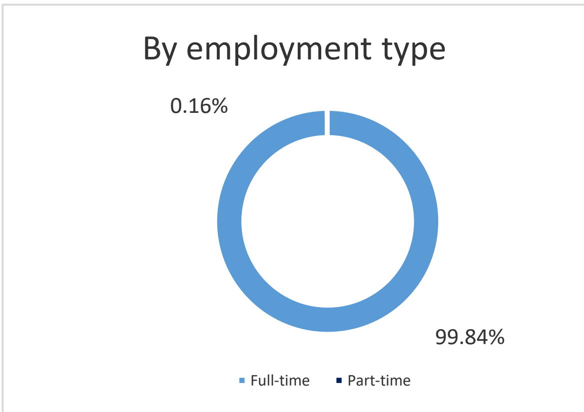
As of 31 December 2024, we have a total of 607 employees and 19 outsourced employees[1]. Out of these, 533 employees are located in Hong Kong, 37 in Macao, and 37 in the PRC.

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









[1] Outsourced employees are excluded from the employee data in this report, including employee breakdown, turnover and training data.

In 2024, the overall turnover rate was 28.57%. A breakdown by gender, geographical region, and age group is provided in the table below:

Employee turnover and turnover rate (%)

	2024	2023
Total	**174 (28.57%)**	**181 (29.77%)**
By gender		
Male	86 (31.10%)	67 (23.51%)
Female	88 (26.47%)	114 (35.29%)
By geographical region		
Hong Kong	161 (30.29%)	166 (31.5%)
Macao	7 (18.18%)	0 (0.00%)
PRC	6 (15.38%)	15 (36.14%)
By age group		
Below 30	67 (68.37%)	47 (42.15%)
30-50	83 (19.42%)	112 (26.57%)
Above 50	24 (28.74%)	22 (29.33%)

Regulatory compliance

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

Employee Health and Safety

The health and safety of our employees are of paramount importance to the Group. To safeguard our employees from occupational risks, we are committed to maintaining a safe and healthy working environment. We strictly adhere to applicable laws and regulations, including the Occupational Safety and Health Ordinance and the Fire Safety (Commercial Premises) Ordinance in Hong Kong. While our employees generally do not engage in high-risk activities, we conduct regular safety inspections to ensure compliance with relevant regulations and to uphold a secure office environment. An annual fire drill is held to enhance safety awareness among our employees and to mitigate potential safety risks within the office.

The Group has also implemented measures to support the overall wellbeing of employees and foster a supportive work atmosphere. These include providing a medical insurance scheme that covers various services, such as clinical visits, hospitalisation benefits, dental benefits, specialist visits, and health check-ups.

During the reporting period, we adhered to relevant laws and regulations and were not aware of any incident of non-compliance related to health and safety that had a significant impact on the Group.

Occupational Health and Safety Statistics in 2024

Work-related fatality from FY2022 to FY2024: 0

Work-related injuries: 0

Lost days due to work-related injuries: 0

Development and Training

The Group prioritises the development of its employees across all stages of their careers, supporting their long-term professional and personal advancement. To achieve this, we have structured training programmes tailored to the specific needs of employees according to their job levels. For new hires, we provide an orientation programme that covers our core values, their roles and responsibilities, legal compliance, product knowledge and sales techniques, followed by an introduction to their mentors.

Furthermore, we offered specialised training programmes for management staff on leadership skills and to enhance their ability to discharge managerial responsibilities effectively.

In 2024, the overall training for the Group is as follows:

Percentage of trained employees by category	
By gender	
Male	78.52%
Female	89.02%
By employment category	
Management	61.54%
Non-management	85.37%

Average training hours	
By gender	
Male	3 hours
Female	3 hours
By employment category	
Management	3 hours
Non-management	3 hours

In addition to training for our employees, to ensure that our agents comply with the regulatory requirements, we offer regular legal compliance online refresher training on various topics, including anti-money laundering, direct marketing, and data privacy. Completing these compliance training sessions is mandatory for all agents, and non-compliance may lead to the termination of their agency contracts. Additionally, we have established an Internal Compliance Guide specifically for agents handling insurance sales to clients in mainland China, detailing the necessary compliance requirements.

Apart from the above-mentioned training, we encourage our employees at YF Life to participate in the Designation Programmes offered by the Life Office Management Association (LOMA). These programmes cover areas such as customer service, reinsurance and compliance, providing our staff opportunities to learn about various aspects of the insurance industry and acquire essential skills to stay abreast of the changing market conditions. To further support our employees' professional growth and continuous learning, we provide course fee reimbursement and grant examination leave for those pursuing self-improvement courses.

Our organisational culture emphasises employee growth through a diverse range of training opportunities, both internal and external, covering areas beyond insurance and compliance, such as team building, FATCA[2] and CRS[3] updates, SFC[4] seminars with regulatory updates, financial reporting updates, anti-money laundering and counter financing of terrorism, cybersecurity, and data breaches, and refresher training on compliance matters.

To ensure our employees remain up-to-date with the latest industry developments, we regularly review our training materials and content. This practice helps us enhance the Group's business development and successive planning needs.

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

OPERATION PRACTICES

Product Responsibility

We aim to achieve service excellence by delivering high-quality insurance products and other financial services to our customers. The industries we operate in are highly regulated by governing bodies and regulators such as the Hong Kong Securities and Futures Commission ("SFC"), Hong Kong Insurance Authority, Hong Kong Mandatory Provident Fund Schemes Authority, and the Monetary Authority of Macao. We maintain strict compliance with relevant laws and regulations including on sales practice, Know-your-client ("KYC") checks, credit control, compliance, risk disclosure, information protection and data security, as well as trademarks and intellectual property.

To ensure our employees consistently deliver quality services, all are required to complete compliance refresher training regularly. During the reporting period, there were no incident of non-compliance against relevant laws and regulations related to our products and services that had a significant impact on the Group.

Providing quality insurance products and services

Our insurance products are designed to provide financial security and assist customers to manage unforeseen events and their lifelong planning. We are committed to delivering high-quality products to our customers while adhering to all relevant laws and regulations. To stay aligned with market trends and customer needs, we regularly collaborate with various institutions to conduct market research, ensuring our products remain responsive to evolving demands.

As our primary link to customers, all our agents are licensed in accordance with the regulations set by the Hong Kong Insurance Authority and the Monetary Authority of Macao. Before being authorised to distribute YF Life insurance products, they must meet all legal and internal requirements established by YF Life. In addition to adhering to the Hong Kong Insurance Authority's Code of Conduct for Licensed Insurance Agents and industry's best practices, our agents are required to conduct business in accordance with our Agent Handbook. To ensure consistent delivery of high-quality services and accurate representations of product features, we maintain regular communication and provide ongoing education to our agents about our insurance products.

We also have an Internal Compliance Guide for Sales to PRC customers in place, which serves as a guidance for our staff and agents when interacting with PRC customers, outlining the "Dos and Don'ts" across various daily practices, from sales and mentoring to internal training and qualification requirements. Agents must strictly adhere to these internal requirements without exceptions.

Our commitment to maintaining high service standards extends to the post-sales phase. We adhere to industry practices issued by the Hong Kong Insurance Authority, such as making audio-recorded calls to reaffirm clients' understanding of the insurance policies they have purchased, including both investment-linked and life insurance products. Furthermore, we engage third-party Mystery Shopper Programmes on a regular basis to assess and ensure our agents' sales practices meet high professional standards.

Providing quality financial products and services

Our investment products are overseen by an investment committee led by the Group's Chief Executive Officer, which is responsible for all investment decisions and the process of launching new financial products and services. An internal approval process is established to govern the new product launching process and reduce relevant risks associated with new products. This process requires approvals from all relevant middle and back-office functions to ensure compliance with market practices and regulatory requirements.

We are dedicated to communicating updated and complete information to our customers so that they can make informed decisions in relation to their wealth and investment opportunities. Our communication materials are presented in a clear, concise and transparent manner to ensure that customers fully understand the terms and conditions. In addition, we offer a chatbot platform where clients could raise their concerns or inquire common questions. If their needs are not addressed through the chatbot, they will be promptly directed to our customer service representatives for further assistance.

Customer privacy and feedback

Information security and business continuity

The Group is committed to safeguarding clients' confidentially and managing information security risks. At YF Life, we have established a Cybersecurity Policy and Information Security Policy, which outline our rationale for data collection, processing and preservation in accordance with the principles of confidentiality, integrity and availability.

We strictly comply with the Personal Data (Privacy) Ordinance in Hong Kong. Any breach of data protection obligations will result in disciplinary action. Access permissions are strictly limited to the minimum necessary to protect clients' data and avoid information leakage from unauthorised or accidental access and erasure. In addition, the fundamental principles for handling customer data are outlined in our Corporate Compliance Guide, ensuring that personal data are collected in a lawful and fair manner, solely for the purpose of providing services to clients when required. Employees who fail to maintain customer confidentiality are subject to internal disciplinary measures.

In response to the growing cybersecurity threat, the Group continuously strengthens our cybersecurity protections. To safeguard information against potential threats and minimise business risks, the Group has formulated systematic infrastructure security management strategies for preparing and responding to emergencies. Our infrastructure includes regular backup features at managed data centres, allowing us to switch to a backup server quickly in the event of a server failure and ensuring minimal service disruption. We also provide employees with cybersecurity training and updates on the latest cybersecurity risks to equip them with the knowledge and skills needed to identify and respond to cyber threats.

Customer Feedback

We aim to achieve service excellence by understanding the needs of our customers and striving to exceed their expectations. To facilitate effective communication and gather valuable insights, we provide various channels and platforms, including customer service hotline and email, for customers to share feedback and suggestions. Our customer service representatives are trained to handle complaints in a professional, pragmatic and efficient way. In addition, we regularly seek inputs from our front-line business units to identify room for improvement and implement corrective measures where practicable.

Intellectual property protection

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

During the reporting period, we were not aware of any instance of non-compliance with laws and regulations regarding product responsibility that had a significant impact on the Group.

Anti-corruption

The Group has zero tolerance towards any forms of bribery, extortion, fraud or money laundering in our operation. To uphold the highest standards of integrity, our Corporate Compliance Guide outlines the ethical behaviour we expect from each employee. To prevent and combat corruption, business practices and controls are assessed at both the Group level and business unit levels. For example, all new joiners receive internal guidelines regarding their professional obligations upon joining the Group.

The Group complies with applicable laws and regulations related to anti-money laundering ("AML") and Counter-Financing of Terrorism ("CFT") to ensure that our products and services are not misused for these purposes. For our insurance business, a policy is established with reference to the Hong Kong Insurance Authority's Guideline on Anti-Money Laundering and Counter-Terrorist Financing. This policy provides a clear mechanism for reporting issues related to money laundering and is periodically updated to align with the most recent legal requirements. All employees are expected to adhere to this policy, and any report supported with sufficient evidence will be promptly investigated, with appropriate actions taken to address the situation.

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

- Exercising due diligence when dealing with customers, natural persons appointed to act on the customers' behalf, connected parties of the customers and beneficial owners of the customers;

- Ensuring that all business activities adhere to the Group's ethical standards and avoid establishing any business relations or undertaking transactions that are connected to, or could potentially facilitate money laundering or terrorism financing;

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

- Providing annual training to all relevant employees to ensure that they are aware of their responsibilities and the protocols they need to adhere to.

The Group has implemented a Whistle-blowing Policy and a Speak-up Policy for its employees. This framework enables employees to report any suspected violations of compliance or misconduct anonymously, thereby allowing whistle-blowers to maintain the Group's ethical standards without concern of retaliation.

To improve corporate management, we have standardised our expenditures through the Regulations on Financial Expenditure Management, which clearly document specific approval requirements for different types and amounts of expenditures based on their nature.

To enhance employees' awareness and understanding of business ethics, the Group conducted training on corruption and bribery prevention during the reporting period. For example, employees participated in the annual refresher training and updates on important compliance guidelines.

During the reporting period, there was no reported non-compliance related to bribery, extortion, fraud and money laundering.

Supply chain and counterparties management

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

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

In accordance with the Counterparty Management Policy, our teams in risk management, finance, legal, and compliance conduct a thorough review of transaction terms and documentation. They assess the necessity and depth of additional due diligence required for counterparties, taking into account the level of counterparty risk and the corresponding onboarding procedures. We have established clear guidelines on the activities and types of counterparties that the Company does not engage with, such as those proven to involve in child or forced labour, and certain transactions involving market misconduct, mis-selling, or negative publicity. To maintain service quality, we continuously monitor the market reputation and business practices of all existing counterparties.

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

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

To maximise automation and segregation of duties in internally developed service provision processes, the Group has established dedicated project management and quality control teams. These teams collaborate with different areas of operations, including product development, financial infrastructure, and application management. Their responsibilities include creating a procedural manual, conducting regular progress meetings and ensuring the delivery of quality services and products in alignment with the standard defined by senior management.

During the reporting period, the Group engaged with 56 suppliers, of which 2 are based in the PRC, 50 in Hong Kong, 2 in Macao and 2 overseas.

ENVIRONMENT & COMMUNITY

Environment

Use of resources

We are mindful that every decision and action we take has the potential to impact the planet's future. As such, we prioritise the adoption of energy-saving practices and technologies, with a focus on minimising operational environmental impacts and proactively addressing climate-related risks.

Network units are the primary energy consumers among the equipment used in the office environment of the main subsidiary. To improve energy efficiency in the office's network room, a 24x7 cooling system with an open-rack design is implemented. In the rented data centres, a 24x7 cooling technology system with airflow optimisation and an open-rack design is utilised to further reduce energy consumption.

To foster a green office culture, we adhere to the principles of reduce, recycle and reuse to maintain resource efficiency in our daily operations. Specific green practices adopted to enhance energy efficiency, reduce water consumption and manage paper usage include:

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

YF Life has joined the Energy Efficiency of Lighting Installations initiative under the Buildings Energy Efficiency Ordinance. This ordinance requires professional engineers to assess energy usage and instruct E&M contractors to comply with regulatory standards. In new office renovations, LED lights are preferred over fluorescent lights to reduce electricity consumption.

Adopting a paperless operation has been an ongoing priority for the Group. This approach reduces our reliance on traditional paperwork and allows us to explore opportunities for greater efficiency and flexibility. YF Life has also been progressively digitalising its business operations. FinTech mobile applications, including online applications, electronic policy issues, online payment, e-Policy Services, and claims processing, have been further enhanced. Moving forward, we will continue to advance these applications to expand their functionalities, enhance customer experiences, and reduce our environmental footprint while improving operational efficiency.

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

Summary of resources consumption

Use of resources	Unit	2024	2023
Total energy consumption	MWh	2,257	2,405
— Electricity	kWh	2,197,256[5]	2,348,549
— Gasoline	litre	6,164[6]	5,805
Energy intensity	MWh/employee	3.72	3.85
Water[7]	m^3	630	635
Water intensity	m^3/employee	1.04	1.04
Paper (A3)[8]	Sheets	22,589	37,552
Paper (A4)[8]	Sheets	5,093,549	8,081,139

[5] Electricity consumption reduction in 2024 is due to the closure of one floor of the Company's Hong Kong office and two YF Life Hong Kong offices.
[6] The increase in gasoline consumption in 2024 is due to the higher usage of vehicles caused by increased business activities.
[7] Since the water consumption of some offices was managed by the buildings' property management, we cannot obtain the actual water consumption data. Hence the reported water consumption excluded nine offices in Hong Kong and one office in Macao.
[8] Paper consumption reduction in 2024 is due to the continuous effort of the Paperless Campaign initiated by YF Life during the reporting period.

Emissions

We are mindful of managing greenhouse gas emissions, which are primarily caused by our vehicle usage and electricity consumption in our offices, servers and data centres. To address this, we have optimised energy efficiency and adopt sustainable practices across our facilities to reduce our environmental impact.

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

Emissions	**Unit**	**2024**	**2023**
Air emissions[9]			
— Nitrogen oxides	gram	4,716.93	2,575.66
— Sulphur oxides	gram	90.61	85.33
— Particulate matter	gram	347.30	189.64
Greenhouse gas emissions			
— Scope 1 emissions[10,11]	tonnes CO_2e	10.39	5.67
— Scope 2 emissions[12,13]	tonnes CO_2e	1,178.99	1,246.26

During the reporting period, there was no non-compliance case regarding environmental laws and regulations that had a significant impact on the Group.

[9] The increase in air emissions is due to the higher usage of vehicles caused by increased business activities.
[10] Our scope 1 emissions include direct emissions from company vehicles owned or controlled by the Group. The emission factors are based on the UK Government GHG Conversion Factors for Company Reporting.
[11] The increase in scope 1 emissions is due to the higher usage of vehicles caused by increased business activities.
[12] Our scope 2 emissions include indirect emissions from purchased electricity in Hong Kong, Macao, and the PRC. The emission factors are based on the emission factors provided by utility providers in Hong Kong, and the average emission factor of the national grid in 2022 announced by the Ministry of Ecology and Environment of the PRC.
[13] The decrease in scope 2 emissions due to the closure of one floor of the Company's Hong Kong office and two YF Life Hong Kong offices .

The environmental and natural resources

The Group has integrated ESG considerations into its business operations as part of its commitment to environmental protection. At YF Life, Barings LLC serves as the investment manager for the fixed-income assets portfolio. As a signatory of the United Nations Principles for Responsible Investment, Barings LLC has embedded ESG factors into its investment analysis framework. By integrating ESG factors into the investment process, we gain deeper insights into long-term risks and opportunities, thereby enhancing the stability and resilience of our portfolio.

In our wealth management services, we partner with leading fund managers who incorporate fundamental ESG factors into their investment strategies. Our selection of mutual fund partners prioritises investment in emerging industries while avoiding sectors that demonstrate obvious negative ESG impacts. As part of our due diligence procedures, we conduct news screening on funds to assess their ESG performance. Any adverse media findings, including those related to ESG issues, may trigger further investigation or clarification with the fund managers, depending on the nature of the concern.

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

Climate change

Global warming poses a severe threat to our planet, necessitating urgent action to effectively reduce carbon emissions and address climate change. As a responsible corporate citizen, the Group is committed to environmental protection and aims to minimise the impact of climate change on both the environment and society.

The increasing frequency of extreme weather events poses operational challenges, potentially disrupting business continuity. Natural disasters also have an impact on product pricing, layout and underwriting strategies, which may increase the amount of compensation.

The shift toward a low-carbon economy may lead to asset depreciation for carbon-intensive businesses, potentially affecting portfolio returns. Additionally, as market demands for insurance products and services evolves, particularly driven by growing demand for protection against extreme weather events, strategic risks such as loss of competitive advantage and financial losses emerge.

During the reporting period, YF Life has participated in the “Insurance Industry Climate Charter” initiative developed by the Hong Kong Federation of Insurers (“HKFI”). This initiative represents a collective commitment by the insurance industry to contribute to a sustainable future and demonstrates the united efforts in addressing climate change. YF Life promotes sustainable investment strategies and incorporates sustainability criteria into underwriting and claims management processes. By integrating principles of sustainable development into various business areas, YF Life is dedicated to achieving carbon neutrality in the operations by 2050.

Community Investment

We leverage our influence and resources to enhance resilience and promote sustainable livelihoods. The Group actively collaborates with charitable organisations that share our vision, engaging in impactful initiatives and making investments in these organisations.

YF Life Jr. Space Camp Programme

Since 1999, YF Life Insurance International Ltd. has launched the pioneering “YF Life Jr. Space Camp Programme”. Designed to inspire children’s interest in space exploration, the programme provides a simulated astronaut training experience. Through a holistic and innovative training approach, the programme ignites and cultivate children's curiosity in space exploration and advanced aerospace technology while fostering stronger parent-child relationships through collaborative activities. The programme’s slogan, “It is Possible!” encourages children to embrace challenges and pursue their aspirations with courage and determination.

This year, through a rigorous selection process, we selected 8 outstanding candidates to participate in an intensive training camp and compete for the opportunity to become YF Life Jr. Astronauts. The selected participants then embarked on a "9-Day U.S. Space-Exploration Journey", which included simulated astronaut training at the U.S. Space Camp in Huntsville, Alabama, and a visit to the Kennedy Space Centre in Florida.

Participation and sponsorships in social and environmental events

During the reporting period, the Group remained dedicated to corporate social responsibility through active participation in various initiatives. YF Life sponsored the Lai See Reuse and Recycle Programme to promote recycling and waste reduction within the community. In addition, we supported Earth Hour 2024 in March by switching off the rooftop LED sign at The ONE in Tsim Sha Tsui. We also supported Panda Go! Fest Hong Kong to raise awareness of panda conservation efforts.

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

The Group demonstrated a strong commitment to education as a driver of societal progress. We offered the YF Life Scholarship in Actuarial Science and Risk Management at The University of Hong Kong, supporting and nurturing talents for the insurance industry. We sponsored Hong Kong Fin Tech Week 2024 to promote future of finance and financial technology with AI & Advanced Tech and Green FinTech.

APPENDIX: HKEX ESG REPORTING CODE INDEX

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

	Aspects	Section	Remarks
A2	**Use of Resources**		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Environment	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in "000s) and intensity (e.g. per unit of production volume, per facility).	Environment	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Environment	The Group is reviewing its operations and environmental performance in considering target setting on energy and water consumption.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Environment	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment	Due to our business nature, no significant amount of packaging material was used.
A3	**The Environment and Natural Resources**		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment	The Group's businesses are mainly conducted in offices and hence there is insignificant impact on the environment and natural resources.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environment	

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

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

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

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

Consolidated statement of profit or loss for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* HK$'000	*2023* HK$'000
Insurance revenue	*6*	2,799,201	2,625,385
Insurance service expenses	*10*	(2,108,241)	(2,054,008)
Net expenses from reinsurance contracts		(59,369)	(26,257)
Insurance service result		631,591	545,120
Interest revenue calculated using the effective interest method	*7*	3,089,457	2,803,589
Other investment revenue	*7*	853,767	499,248
Net impairment loss on financial assets	*7*	(129,795)	(123,011)
Investment return		3,813,429	3,179,826
Net finance expenses from insurance contracts	*7*	(3,097,872)	(2,293,667)
Net finance income from reinsurance contracts	*7*	247,436	85,044
Movement in investment contract liabilities	*7*	(212,419)	(218,380)
Movement in third party interests in consolidated funds	*7*	7,237	7,879
Net financial result		757,811	760,702
Revenue from investment management services	*8*	43,529	51,411
Other income	*9*	91,848	73,516
Other operating expenses	*10*	(390,221)	(392,557)
Other finance costs	*11*	(227,532)	(202,126)
Share of loss of equity-accounted investees, net of tax		(2,302)	(10,810)
Profit before tax		904,724	825,256
Income tax expense	*12(a)*	(127,153)	(112,349)
Profit for the year		777,571	712,907
Profit for the year attributable to:			
Owners of the Company		470,788	397,164
Non-controlling interests		306,783	315,743
		777,571	712,907
Earnings per share attributable to equity shareholder of the Company			
Basic (HK$)	*15(a)*	0.12	0.10
Diluted (HK$)	*15(b)*	0.12	0.10

The notes form part of these consolidated financial statements.

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

(Expressed in Hong Kong dollars)

	Note	*2024* HK$'000	*2023* HK$'000
Profit for the year after taxation		777,571	712,907
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Equity investment at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		-	11,157
Related income tax	*12(b)*	-	(91)
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	*17*	(1,238,352)	1,268,564
Net movement in cash flow hedge reserve during the year recognised in other comprehensive income		(357,728)	35,431
Exchange differences arising on translation of results of foreign operations		(81,966)	(54,222)
Net finance expenses from insurance contracts	*7*	(48,741)	(2,042,939)
Net finance income from reinsurance contracts	*7*	180,382	111,235
Net deferred tax impact recognised in other comprehensive income	*12(b)*	57,821	102,904
Total comprehensive income for the year		(711,013)	144,946
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		(572,689)	(2,434)
Non-controlling interests		(138,324)	147,380
		(711,013)	144,946

The notes form part of these consolidated financial statements.

Consolidated statement of financial position at 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*At 31 December 2024* HK$'000	*At 31 December 2023* HK$'000
Assets			
Property and equipment	18	608,623	632,460
Statutory deposits	19	5,602	4,193
Deferred tax assets	31(b)	95,940	70,910
Tax recoverable	31(a)	39	45
Investments in associates	20	118,554	121,500
Goodwill and intangible assets	22	1,920,168	1,923,737
Other contract assets	28	134,763	123,249
Investments	23	78,625,575	74,126,597
Reinsurance contract assets	27	6,790,716	6,517,666
Other accounts receivable and accrued income	24	229,572	113,160
Other receivables, deposits and prepayments	25	1,615,907	987,716
Bank balance - trust and segregated accounts	26	292,774	295,166
Fixed bank deposits with original maturity over three months	26	1,229,988	1,259,134
Cash and cash equivalents	26	4,373,329	3,973,788
		96,041,550	90,149,321

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

(Expressed in Hong Kong dollars)

	Note	*At 31 December 2024* HK$'000	*At 31 December 2023* HK$'000
Liabilities			
Other accounts payable	29	502,841	385,563
Other payables and accrued expense	30	1,224,435	891,614
Financial liabilities at fair value through profit or loss	32	718,811	518,364
Tax payable	31(a)	33,071	67,545
Insurance contract liabilities	27	69,617,928	63,577,444
Investment contract liabilities	28	4,750,649	4,774,847
Lease liabilities	33	174,111	212,240
Deferred tax liabilities	31(b)	299,885	276,079
Bank borrowings	34	1,384,659	1,399,479
Shareholder's loan	35	1,641,077	1,641,077
		80,347,467	73,744,252
NET ASSETS		15,694,083	16,405,069
CAPITAL AND RESERVES			
Share capital	36	11,872,683	11,872,683
Reserves		(1,442,024)	(869,362)
		10,430,659	11,003,321
Non-controlling interests		5,263,424	5,401,748
TOTAL EQUITY		15,694,083	16,405,069

The notes form part of these consolidated financial statements.

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

(Expressed in Hong Kong dollars)

					Attributable to equity shareholders of the Company										
	Share capital	*Shares held by share award scheme*	*Share-based payment reserve*	*Asset revaluation reserve*	*Fair value reserve (recycling)*	*Fair value reserve (non-recycling)*	*Hedging reserve*	*Exchange reserve*	*Statutory and capital reserve*	*Insurance finance reserve*	*Reinsurance finance reserve*	*Retained earnings/ (Accumulated loss)*	*Sub-total*	*Non-controlling interests*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000			HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2023	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 year ended 31 December 2023:															
Equity settled share-based transactions	-	-	(1,575)	-	-	-	-	-	-	-	-	-	(1,575)	-	(1,575)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	397,164	397,164	315,743	712,907
Other comprehensive income for the year	-	-	-	-	941,683	7,723	24,731	(39,501)	-	(1,402,171)	67,937	-	(399,598)	(168,363)	(567,961)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	14,510	-	-	-	-	-	(14,510)	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2023 and 1 January 2024	11,872,683	(83,230)	-	1,538	(2,040,379)	-	24,731	(5,931)	67,661	2,668,269	133,669	(1,635,690)	11,003,321	5,401,748	16,405,069
Changes in equity for the year ended 31 December 2024:															
Disposal of shares held by share award scheme	-	27	-	-	-	-	-	-	-	-	-	-	27	-	27
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	470,788	470,788	306,783	777,571
Other comprehensive income for the year	-	-	-	-	(828,223)	-	(249,694)	(68,169)	-	(13,603)	116,212	-	(1,043,477)	(445,107)	(1,488,584)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation to statutory and capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2024	11,872,683	(83,203)	-	1,538	(2,868,602)	-	(224,963)	(74,100)	67,661	2,654,666	249,881	(1,164,902)	10,430,659	5,263,424	15,694,083

The notes form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* HK$'000	*2023* HK$'000
Cash flows from operating activities			
Profit for the year		904,724	825,256
Adjustments for:			
- Financial investments		(6,617,523)	(6,146,145)
- Insurance and reinsurance contracts		6,317,130	6,431,302
- Investment contracts		(19,312)	(30,885)
- Statutory deposits		(230)	949
- Other contract asset		(12,202)	(13,689)
- Other accounts receivable and payable		866	(217,262)
- Bank balances – trust and segregated accounts		2,392	214,333
- Other receivables and payables		(421,638)	(286,886)
- Deemed gain on partial disposal of interests in associate		(11,053)	(9,845)
- Loss on disposal of property and equipment and intangible assets		1,710	2,765
- Depreciation and amortisation		197,491	188,973
- Equity-settled share-based payment transactions		-	(1,575)
- Interest credited to policyholders' deposits		182,839	179,054
- Share of loss of equity-accounted investees, net of tax		2,302	10,810
- Finance costs		227,532	202,126
- Other non-cash operating items, including investment income and the effect of exchange rates on certain operating items		(123,701)	(137,167)

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

(Expressed in Hong Kong dollars)

	Note	*2024* HK$'000	*2023* HK$'000
Other operating items:			
Interest received		175,745	146,335
Dividend received		300,527	268,603
Interest paid		(13,061)	(12,205)
Income taxes paid		(105,023)	(45,993)
Net cash from operating activities		989,515	1,568,854
Cash flows from investing activities			
Payment for purchase of property and equipment		(90,226)	(41,582)
Proceeds from disposal of property and equipment		34	13
Payment for purchase of intangible assets		-	(15,088)
Proceeds from disposal of intangible assets		1,170	-
Decrease in fixed bank deposits placed with original maturity over three months		27,803	365,975
Net cash (used in)/from investing activities		(61,219)	309,318

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

(Expressed in Hong Kong dollars)

	Note	*2024* HK$'000	*2023* HK$'000
Cash flows from financing activities			
Payment made for interest component of lease liabilities		(6,111)	(6,800)
Payment made for capital component of lease liabilities		(125,367)	(128,472)
Payment for redemption of preference shares by a subsidiary	26(a)	(91,355)	(3,436)
Proceeds from disposal of shares held by share award scheme		27	-
Policyholders' account deposits related to investment contracts	26(a)	172,153	183,421
Policyholders' account withdrawals related to investment contracts	26(a)	(347,622)	(403,908)
Drawdown of bank borrowings	26(a)	1,400,000	-
Repayment of bank borrowings	26(a)	(1,400,000)	-
Interest and other borrowing costs paid	26(a)	(110,882)	(92,257)
Net cash used in financing activities		(509,157)	(451,452)
Net increase in cash and cash equivalents		419,139	1,426,720
Cash and cash equivalents at 1 January		3,973,788	2,547,901
Effect of foreign exchange rates changes		(19,598)	(833)
Cash and cash equivalents at 31 December	26	4,373,329	3,973,788

The notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

1 General information

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

The principal activities of the Group are long term assurance business, the provision of securities brokerage, wealth and asset management, fintech business and principal investment. The principal activities and other particulars of its principal subsidiaries are set out in Note 21 to the consolidated financial statements.

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

2 Material accounting policies

(a) Statement of compliance

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

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

2 Material accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries including the consolidated structured entities (together referred to as "the Group") and the Group's interests in associates and joint venture.

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

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

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

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

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

2 Material accounting policies (continued)

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

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

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

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

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

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

2 Material accounting policies (continued)

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

(e) Joint venture

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

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

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

2 Material accounting policies (continued)

(f) Associates

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

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

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

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

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

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

2 Material accounting policies (continued)

(g) Insurance, reinsurance and investment contracts - Classification

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

The Group does not accept insurance risk from other insurers.

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

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

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

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

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

(h) Insurance and reinsurance contracts

(i) Separating components from insurance and reinsurance contracts

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were standalone 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 standalone instrument; and

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

2 Material accounting policies (continued)

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

(ii) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

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

- any contracts that are onerous on initial recognition;

- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

- any remaining contracts in the semi-annual cohort.

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

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);

- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and

- when facts and circumstances indicate that the contract is onerous.

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

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.

2 Material accounting policies (continued)

Reinsurance contracts

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

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

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

- *Other reinsurance contracts initiated by the Group*: The beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under Note 2(h)(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.

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.

2 Material accounting policies (continued)

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

- renewals of contracts recognised at the date of acquisition; and

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

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

Recoverability assessment

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

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

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

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

2 Material accounting policies (continued)

(iv) Contract boundaries

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

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

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

2 Material accounting policies (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA")

Insurance contracts – Initial measurement

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

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

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

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

Insurance contracts - Subsequent measurement

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

2 Material accounting policies (continued)

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.

2 Material 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.

2 Material 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.

2 Material 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 Note 2(h)(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.

2 Material accounting policies (continued)

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

(vi) Measurement – Contracts measured under the PAA

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

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date. The Group has chosen to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the Group at initial recognition is no more than one year.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received, and decreased by the amount recognised as insurance revenue for services provided (see Note 2(h)(viii)). On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

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

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

Reinsurance contracts

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

If a loss-recovery component (see 'Reinsurance of onerous underlying insurance contracts' under Note 2(h)(v)) is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

2 Material 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 Note 2(h)(viii)).

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

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

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the consolidated statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under Note 2(h)(iii)) are included in the carrying amount of the related portfolios of contracts.

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

2 Material accounting policies (continued)

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

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

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

Insurance revenue – Contracts not measured under the PAA

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

- A release of the CSM, measured based on coverage units provided (see ‘Release of the CSM’ below).

- Changes in the risk adjustment for non-financial risk relating to current services.

- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.

- Other amounts, including experience adjustments for premium receipts for current or past services.

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

Release of the CSM

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

2 Material accounting policies (continued)

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

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);

- the investment component or withdrawal amount is expected to include an investment return; and

- the Group expects to perform investment activities to generate that investment return.

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

Insurance revenue – Contracts measured under the PAA

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

Loss components

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

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

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

2 Material accounting policies (continued)

Insurance service expenses

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

- Incurred claims and other insurance service expenses.

- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group recognises any insurance acquisition cash flows as expenses when it incurs those costs.

- Losses on onerous contracts and reversals of such losses.

- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

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

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

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

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.

2 Material 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 Note 2(h)(v)). They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

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

- the discount rates determined on initial recognition of the group of contracts; or

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

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

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

(i) Investment contracts

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

2 Material accounting policies (continued)

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

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

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

(j) Investments

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

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

Investments other than equity investments

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

- amortised cost ("AC"), if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(w)(iii)).

- fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Material accounting policies (continued)

Equity investments

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

(k) Derivative financial instruments

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

(l) Cash flow hedges

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

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

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

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

2 Material accounting policies (continued)

(m) Accounts payable, other payables and other liabilities

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

(n) Interest-bearing borrowings

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

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

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

2 Material accounting policies (continued)

(p) Property and equipment

Property and equipment, including right-of-use assets arising from leases of underlying fixed assets (see Note 2(q)), are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(s)(ii)).

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

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

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

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

(q) Leased assets

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

As a lessee

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

2 Material accounting policies (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is depreciated over the shorter of unexpired term of lease and its estimated useful life and is subsequently stated at cost less accumulated depreciation and accumulated impairment losses (see Note 2(s)(ii)).

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

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

(r) Intangible assets

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

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

- Computers software 3 - 5 years

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

2 Material accounting policies (continued)

(s) Credit losses and impairment of assets

(i) Credit loss from financial instruments

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

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

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

Measurement of ECLs

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

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

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

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

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

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

2 Material accounting policies (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2 Material accounting policies (continued)

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

Basis of calculation of interest income

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

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

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

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2 Material accounting policies (continued)

(ii) Impairment of other non-current assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

2 Material accounting policies (continued)

(iii) Interim financial reporting and impairment

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

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

(t) Cash and cash equivalents

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

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

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

2 Material accounting policies (continued)

(v) Income tax

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

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

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

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

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

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

2 Material accounting policies (continued)

(w) Revenue recognition

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

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

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

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

(i) The accounting policies for the recognition of revenue from insurance contracts are disclosed in Note 2(h).

(ii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at FVTPL, the group has separated interest income and expense from the net gains and losses.

(iv) Management and administration fee income from investment contracts are recognised over time when services are rendered.

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

(vi) Service fee income, including advisory fee income, handling fee income, custodial service fee income, subscription fee income, placing and underwriting commission and financial management are recognised when the underlying services had been provided.

2 Material accounting policies (continued)

(x) Translation of foreign currencies

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

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

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

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

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

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

(y) Fiduciary activities

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

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

2 Material accounting policies (continued)

(z) Segment reporting

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

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

(aa) Related parties

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

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

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(6) The entity is controlled or jointly controlled by a person identified in (i);

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

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

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

3 Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

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

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the HKAS 1 amendments, the Group has reassessed the classification of its liabilities as current or non-current. The amendments do not have a material impact on the Group's consolidated financial statements.

3 Changes in accounting policies (continued)

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

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these consolidated financial statements as the Group has not entered into any sale and leaseback transactions.

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

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these consolidated financial statements as the Group has not entered into any supplier finance arrangements.

4 Insurance and financial risk management

Risk management objectives and policies for mitigating insurance and financial risk

The Group operates in a business environment which is subject to various risks and uncertainties. Such risks and uncertainties can be classified into two categories, insurance risks and financial risks.

Key risks arising from contracts issued

Product	*Key risks*	*Risk mitigation*
Traditional whole-life, term assurance, critical illness and immediate annuity	- Mortality risk: death of policyholder earlier than expected	- Reinsurance with financially strong reinsurers
	- Morbidity risk: diagnosis of critical illness earlier than expected	- Matching of asset and liability cash flows
	- Longevity risk: death of policyholder later than expected	- Investing in investment-grade assets
	- Interest rate risk: differences in duration and yield of assets and liabilities	
	- Investment credit risk	
Traditional participating	- Market risk: investment return on underlying items lower than expected	- Management discretion to determine amount and timing of policyholder dividends
	- Policyholder behaviour risk	- Surrender penalties
Universal life	- Mortality risk	- Reinsurance with financially strong reinsurers
	- Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates	- Management discretion to set crediting rates (subject to guaranteed rates)
	- Policyholder behaviour risk	- Surrender penalties
Deferred annuity	- Longevity risk	- Matching of asset and liability cash flows
	- Interest rate risk	- Management discretion to set crediting rates (subject to guaranteed rates)
	- Policyholder behaviour risk	- Surrender penalties
	- Investment credit risk	- Investing in investment-grade assets
Unit-linked	- Market risk: insufficient fees to cover expenses	- Surrender penalties
	- Policyholder behaviour risk	

4 Insurance and financial risk management (continued)

(a) Insurance risks

The Group manages insurance risks through prudent pricing guidelines, reinsurance and underwriting management and monitoring internal and external emerging trends and issues.

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to ensure appropriate risk selection within the portfolio.

Adherence to the underwriting authorities is monitored through a scheduled underwriting audit. In addition, the Group has an Underwriting Committee to establish policies and procedures to supervise and assess the insurance risks and to periodically review and monitor the overall underwriting management process. The Group also has a Claims Settlement Committee to establish policies and procedures to supervise the claims settlement policy. The committee monitors the adequacy of the group's reserves for the settlement of claims, reviews significant claims or major events, and investigates any fraudulent claims.

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses to avoid the risk of concentration and to protect capital resources. Such transfers of risks do not relieve the group of its primary liability and, as such, failure of reinsurers to honour their obligations could result in losses. The Group reduces this risk by evaluating the financial condition of reinsurers and monitoring for possible concentrations of credit risk. The Group has a Reinsurance Committee to establish policies and procedures to properly and regularly supervise and review proposed and existing reinsurance activities covering ceded risks to reinsurers. The committee also periodically reviews and monitors the financial stability of reinsurers.

Concentration of insurance risks

The table below illustrates the concentration of risks based on seven bands of contracts grouped by benefits assured for each life assured.

HK$'000	*Sum insured before reinsurance* HK$'000	%	*Sum insured after reinsurance* HK$'000	%
2024				
0 – 500	25,904,465	13	35,606,057	41
501 - 750	20,127,588	10	25,852,426	31
751 - 1,000	26,747,300	13	23,339,012	27
1,001 - 1,500	30,133,546	15	104,011	0
1,501 - 2,000	22,906,220	11	367,004	0
2,001 - 2,500	14,242,246	7	135,718	0
>2,500	59,495,419	31	576,270	1
Total	199,556,784	100	85,980,498	100

4 Insurance and financial risk management (continued)

HK$'000	*Sum insured before reinsurance* HK$'000	%	*Sum insured after reinsurance* HK$'000	%
2023				
0 - 500	26,003,758	13	35,955,995	41
501 - 750	25,645,996	13	26,305,909	31
751 - 1,000	14,315,485	7	23,366,646	27
1,001 - 1,500	20,040,155	10	98,479	0
1,501 - 2,000	26,290,655	13	370,443	0
2,001 - 2,500	30,109,050	15	130,637	0
>2,500	59,913,896	29	602,744	1
Total	202,318,995	100	86,830,853	100

Sensitivity analysis

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in insurance risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	2024		*2023*	
	Profit or loss HK$'000	*Equity* HK$'000	*Profit or loss* HK$'000	*Equity* HK$'000
Total before risk mitigation by reinsurance				
Mortality rates (10% increase)	228,721	244,092	138,910	104,699
Mortality rates (10% decrease)	(235,735)	(252,679)	(149,780)	(114,203)
Lapse rates (10% increase)	(58,539)	(143,738)	267,951	(97,367)
Lapse rates (10% decrease)	(26,030)	35,005	(424,645)	(33,285)
Total after risk mitigation by reinsurance				
Mortality rates (10% increase)	245,988	155,975	162,677	42,550
Mortality rates (10% decrease)	(253,207)	(158,634)	(174,510)	(47,683)
Lapse rates (10% increase)	(9,497)	(140,385)	279,851	(122,351)
Lapse rates (10% decrease)	(80,129)	32,547	(434,028)	(1,178)

Changes in insurance risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss
- Changes in fulfilment cash flows relating to loss components.
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

b. Equity
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI.
- The effect on profit or loss under (a).

4 Insurance and financial risk management (continued)

(b) Financial risks

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

(i) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- amounts due from issuers of debt securities;
- bank balances;
- reinsurance contract assets;
- commercial and residential mortgage loans;
- other unsecured receivables; and
- derivative financial instruments.

The Group manages its financial assets to limit credit risk by diversifying its portfolio among various security types and industry sectors. The Group has an Investment Committee to supervise and control investments and related financial matters.

Investment policies and guidelines have to be approved by the committee. In addition, the committee periodically reviews investment strategies and investment performance.

At 31 December 2024, 0.001% (2023: 0.001%) of the Group's debt securities represented investments in asset-backed and mortgage-backed securities in the United States of America which are exposed to sub-prime credit risks. The Group does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees. As of 31 December 2024, the Group had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritised mortgage whole-loan pools. The Group has implemented a stringent review process for determining the fair value of securities containing these risk characteristics. At 31 December 2024, 98.1% (2023: 97.9%) of the debt securities have Standard and Poor's ratings of BBB- or above or equivalent ratings from other reputable rating agencies. At 31 December 2024, 82.6% (2023: 88.5%) of the loans and receivables have internal rating equivalent to Standard and Poor's ratings of BBB or above or equivalent ratings from other reputable rating agencies. For the year ended 31 December 2024, impairment losses amounting to HK$129,795,000 (2023: HK$123,011,000) were recognised in the consolidated statement of profit or loss.

4 Insurance and financial risk management (continued)

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

With respect to the recoveries due from reinsurers, the Group is exposed to the credit risk that the amounts due under a reinsurance contract may not be paid. For the management of the underlying risks, please refer to Note 4(a).

In respect of loans to policyholders and other loans to agents and staff, management monitors the repayment status on an ongoing basis. Other unsecured receivables mainly comprise accrued interest income on debt securities, where the credit risks are limited by the diversification of its investment portfolio as mentioned above.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other account receivables and other receivables are set out in Notes 24 and 25.

4 Insurance and financial risk management (continued)

(1) Credit quality analysis

The following table sets out information about the credit quality of reinsurance contract assets and financial investments (based on reputable external credit ratings agencies and internal rating assessment of equivalent credit rating methodology) by Investment grade rated (i.e. BBB- or above) and Non-investment grade rated.

	2024 HK$'000	*2023* HK$'000
Reinsurance contract assets		
Investment grade	6,790,716	6,517,666
Financial investments - underlying items		
Fair value through profit or loss:		
Investment grade	4,054,932	1,079,028
Financial investments – not underlying items		
Fair value through profit or loss:		
Investment grade	1,950,116	2,030,899
Non-investment grade	183,181	267,806
	2,133,297	2,298,705
Fair value through comprehensive income:		
Investment grade	23,378,223	24,946,116
Non-investment grade	790,301	812,485
	24,168,524	25,758,601
Amortised cost:		
Investment grade	33,960,645	31,925,534
Non-investment grade	954,597	860,461
	34,915,242	32,785,995

The Group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

4 Insurance and financial risk management (continued)

(2) Amounts arising from ECL on financial assets

The following table set out the credit quality analysis of financial assets measured at FVOCI (recycling) and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts. For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see Note 2(s).

	2024						
	Investment grade			*Non-investment grade*			
	12-month ECL HK$'000	*Lifetime ECL not credit-impaired* HK$'000	*Lifetime ECL credit-impaired* HK$'000	*12-month ECL* HK$'000	*Lifetime ECL not credit-impaired* HK$'000	*Lifetime ECL credit-impaired* HK$'000	*Total* HK$'000
Financial assets at amortised cost							
Unlisted debt securities	30,340,737	313,561	-	-	217,347	39,009	30,910,654
Loans and receivables	3,524,026	-	-	-	763,359	-	4,287,385
	33,864,763	313,561	-	-	980,706	39,009	35,198,039
Less: Loss allowance	(60,582)	(157,097)	-	-	(26,129)	(38,989)	(282,797)
Amortised cost	33,804,181	156,464	-	-	954,577	20	34,915,242
Financial assets at FVOCI (recycling)							
Unlisted debt securities	27,785,059	42,802	17,190	-	853,882	444,179	29,143,112
Less: Loss allowance	(67,545)	(19,177)	(9,281)	-	(30,605)	(418,448)	(545,056)
Amortised cost	27,717,514	23,625	7,909	-	823,277	25,731	28,598,056
Carrying amount – fair value	23,332,174	26,243	19,806	-	760,295	30,006	24,168,524

4 Insurance and financial risk management (continued)

	2023						
	Investment grade			*Non-investment grade*			
	12-month ECL HK$'000	*Lifetime ECL not credit-impaired* HK$'000	*Lifetime ECL credit-impaired* HK$'000	*12-month ECL* HK$'000	*Lifetime ECL not credit-impaired* HK$'000	*Lifetime ECL credit-impaired* HK$'000	*Total* HK$'000
Financial assets at amortised cost							
Unlisted debt securities	27,590,332	33,719	-	-	296,728	39,259	27,960,038
Loans and receivables	4,377,746	-	-	-	601,408	-	4,979,154
	31,968,078	33,719	-	-	898,136	39,259	32,939,192
Less: Loss allowance	(75,712)	(551)	-	-	(37,698)	(39,236)	(153,197)
Amortised cost	31,892,366	33,168	-	-	860,438	23	32,785,995
Financial assets at FVOCI (recycling)							
Unlisted debt securities	28,163,574	86,032	16,975	-	792,295	467,997	29,526,873
Less: Loss allowance	(110,186)	(16,405)	(11,583)	-	(44,279)	(366,957)	(549,410)
Amortised cost	28,053,388	69,627	5,392	-	748,016	101,040	28,977,463
Carrying amount – fair value	24,865,313	60,086	20,717	-	693,612	118,873	25,758,601

4 Insurance and financial risk management (continued)

2024

	12-month ECL HK$'000	*Lifetime ECL Not-credit impaired* HK$'000	*Lifetime ECL Credit impaired* HK$'000	*Total* HK$'000
Debt securities at amortised cost				
Balance at 1 January 2024	69,062	5,836	39,236	114,134
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(15,054)	154,373	(1)	139,318
Exchange alignment	(363)	(295)	(246)	(904)
Balance at 31 December 2024	53,645	159,914	38,989	252,548
Loans and receivables at amortised cost				
Balance at 1 January 2024	6,650	32,413	-	39,063
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	330	(8,940)	-	(8,610)
Exchange alignment	(43)	(161)	-	(204)
Balance at 31 December 2024	6,937	23,312	-	30,249
Debt securities at fair value through other comprehensive income				
Balance at 1 January 2024	110,186	60,684	378,540	549,410
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(42,148)	(10,570)	51,805	(913)
Exchange alignment	(493)	(332)	(2,616)	(3,441)
Balance at 31 December 2024	67,545	49,782	427,729	545,056

4 Insurance and financial risk management (continued)

2023

	12-month ECL HK$'000	*Lifetime ECL Not-credit impaired* HK$'000	*Lifetime ECL Credit impaired* HK$'000	*Total* HK$'000
Debt securities at amortised cost				
Balance at 1 January 2023	72,328	18,430	27	90,785
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(3,281)	(12,579)	39,145	23,285
Exchange alignment	15	(15)	64	64
Balance at 31 December 2023	69,062	5,836	39,236	114,134
Loans and receivables at amortised cost				
Balance at 1 January 2023	7,444	6,506	-	13,950
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(794)	25,865	-	25,071
Exchange alignment	-	42	-	42
Balance at 31 December 2023	6,650	32,413	-	39,063
Debt securities at fair value through other comprehensive income				
Balance at 1 January 2023	116,387	54,444	303,676	474,507
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	(6,222)	6,215	74,662	74,655
Exchange alignment	21	25	202	248
Balance at 31 December 2023	110,186	60,684	378,540	549,410

4 Insurance and financial risk management (continued)

(ii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its life insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Group manages this risk by setting a minimum level of liquidity cash that will be available to cover claims maturities and surrenders.

(1) Financial liabilities

The following tables show the remaining contractual maturities at the end of the reporting period of non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date can be required to pay:

	2024				*2023*			
	Carrying amount HK$'000	*Total contractual undiscounted cash flows* HK$'000	*Within 1 year or on demand* HK$'000	*More than 1 year* HK$'000	*Carrying amount* HK$'000	*Total contractual undiscounted cash flows* HK$'000	*Within 1 year or on demand* HK$'000	*More than 1 year* HK$'000
Non-derivative liabilities								
Other accounts payables	502,841	502,841	502,841	-	385,563	385,563	385,563	-
Other payables and accrued expenses	1,224,435	1,224,435	1,224,435	-	891,614	891,614	891,614	-
Financial liabilities at fair value through profit or loss	71,519	71,595	10,473	61,122	220,361	220,763	102,275	118,488
Lease liabilities	174,111	182,572	97,926	84,646	212,240	218,706	121,970	96,736
Bank borrowings	1,384,659	1,593,835	89,155	1,504,680	1,399,479	1,421,479	1,421,479	-
Shareholder's loan	1,641,077	1,808,467	1,808,467	-	1,641,077	1,808,467	1,808,467	-
	4,998,642	5,383,745	3,733,297	1,650,448	4,750,334	4,946,592	4,731,368	215,224

	Carrying amount HK$'000	*Nominal amount* HK$'000	*Within 1 year or on demand* HK$'000	*More than 1 year* HK$'000	*Carrying amount* HK$'000	*Nominal amount* HK$'000	*Within 1 year or on demand* HK$'000	*More than 1 year* HK$'000
Derivative liabilities	647,292	5,818,664	521,309	5,297,355	298,003	3,033,574	223,751	2,809,823

4 Insurance and financial risk management (continued)

(2) Liabilities under investment contracts

The following table presents the estimated timing of payments for the amounts recognised in the consolidated statement of financial position arising from liabilities under insurance and investment contracts. These contracts typically include policyholder surrender or transfer options at a value equal to, or below, the carrying value of those liabilities.

	2024			*2023*		
	Total HK$'000	*1 year or less* HK$'000	*More than 1 year* HK$'000	*Total* HK$'000	*1 year or less* HK$'000	*More than 1 year* HK$'000
Investment contract liabilities (Note)	4,557,760	237,215	4,320,545	4,588,215	239,033	4,349,182

Note: The balance excludes HK$192,889,000 (2023: HK$186,632,000) of unearned revenue liability.

4 Insurance and financial risk management (continued)

(3) Insurance and reinsurance contracts

The following table provides a maturity analysis of the Group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

	Estimates of present value of future cash (inflows)/outflows						
	1 year or less	*1 - 2 years*	*2 - 3 years*	*3 - 4 years*	*4 - 5 years*	*More than 5 years*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2024							
Insurance contracts	(1,701,038)	(957,928)	533,688	147,590	2,947,481	57,993,220	58,963,013
31 December 2023							
Insurance contracts	(1,740,529)	(1,235,388)	(306,072)	1,064,873	514,036	55,420,847	53,717,767

4 Insurance and financial risk management (continued)

The amounts from insurance contract liabilities that are payable on demand are set out below.

	2024		*2023*	
	Amount payable on demand HK$'000	*Carrying amount* HK$'000	*Amount payable on demand* HK$'000	*Carrying amount* HK$'000
Insurance contracts	57,371,137	69,617,928	54,845,893	63,577,444

(iii) Interest rate risk

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the Group controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities.

Interest rate profile

The following table details the interest rate profile of the Group's financial assets and financial liabilities at the end of the reporting period.

	2024 HK$'000	*2023* HK$'000
Financial assets		
Statutory deposits	5,602	4,193
Debt securities and loans and receivables	65,271,995	61,922,329
Loans to agents and staff	68,572	68,758
Cash and cash equivalents and deposits with banks maturing more than three months	5,603,317	5,232,922
Financial liabilities		
Investment contract liabilities (Note)	4,557,760	4,588,215
Bank borrowings	1,384,659	1,399,479
Shareholder's loan	1,641,077	1,641,077
Derivative liabilities	647,292	298,003

Note: The balance excludes HK$192,889,000 (2023: HK$186,632,000) of unearned revenue liability.

4 Insurance and financial risk management (continued)

Sensitivity analysis

While it is more difficult to measure the interest sensitivity of the insurance and investment contract liabilities than that of the related assets, to the extent that the Group can measure such sensitivities the Group believes that interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

An analysis of the Group's sensitivity to a 1% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

	Profit of loss		*Equity*	
	Increase HK$'000	*Decrease* HK$'000	*Increase* HK$'000	*Decrease* HK$'000
31 December 2024				
Insurance and reinsurance contracts	414,623	(524,585)	1,750,252	(2,542,102)
Financial instruments	(537,952)	651,691	(3,081,721)	3,726,260
31 December 2023				
Insurance and reinsurance contracts	42,037	(209,567)	959,919	(2,569,494)
Financial instruments	(329,879)	329,879	(2,997,010)	2,997,010

(iv) Currency risk

The Group's currency exchange risk is mainly related to certain policies that are not written in the United States dollars. However, most of the policies are denominated in the United States dollars and Hong Kong dollars. As the Group's investments are primarily made in the United States dollars, coupled with the fact that the Hong Kong dollars are pegged to the United States dollars, management does not believe that the currency risk is material. For investments made in non-United States dollars, the Group mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimise currency risk for certain non-United States dollar assets and liabilities through a pre-specified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates. As such, no sensitivity analysis is prepared for currency risk.

4 Insurance and financial risk management (continued)

Exposure to currency risk

The following table details the exposure at the end of the reporting period to currency risk arising from financial assets or financial liabilities which are presented in Hong Kong dollars.

	2024								
	United States Dollars HK'000	*Canadian Dollars* HK'000	*Macao Patacas* HK'000	*British Pounds* HK'000	*Australian Dollars* HK'000	*Euros* HK'000	*Chinese Renminbi* HK'000	*Japanese Yen* HK'000	*Singapore Dollars* HK'000
Financial assets									
Investments	65,110,968	-	-	-	-	-	-	-	-
Other account receivables	21,747	-	-	-	7	-	-	-	3
Other receivables	1,434,267	-	50	111	16	(338)	1,747	21	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	3,622,715	578	39,929	676	242	4,319	17,166	598	44
Derivative financial instruments	130,240	-	-	-	-	-	-	-	-
	70,319,937	578	39,979	787	265	3,981	18,913	619	47
Financial liabilities									
Derivative financial instruments	647,292	-	-	-	-	-	-	-	-
Other accounts payables	86,936	12	-	60	17	-	829	-	23
Other payables	462,665	(13)	5,591	-	4	-	13,232	-	-
Investment contract liabilities	2,074,708	-	109,662	-	1,149	-	9,824	-	-
Lease liabilities	-	-	-	-	-	-	786	-	-
	3,271,601	(1)	115,253	60	1,170	-	24,671	-	23
Notional amount of currency-related derivative contracts	(14,668,986)	2,074	-	-	5,766	(97,382)	276,507	(130,937)	-
Reinsurance contract assets	1,760,244	-	(9,782)	-	(1)	-	16,350	-	-
Insurance contract liabilities	(40,360,205)	(2,977)	(1,144,036)	(1,628)	(6,652)	-	(214,407)	-	-

4 Insurance and financial risk management (continued)

	2023								
	United States Dollars HK'000	*Canadian Dollars* HK'000	*Macao Patacas* HK'000	*British Pounds* HK'000	*Australian Dollars* HK'000	*Euros* HK'000	*Chinese Renminbi* HK'000	*Japanese Yen* HK'000	*Singapore Dollars* HK'000
Financial assets									
Investments	61,662,020	-	-	-	-	-	-	-	-
Other account receivables	25,021	-	-	-	4	-	-	1	3
Other receivables	827,407	-	2,315	104	17	1	2,052	7	-
Cash and cash equivalents and deposits with banks maturing more than three months and segregated accounts	2,925,193	645	39,303	835	1,232	11,328	19,370	972	40
Derivative financial instruments	220,673	-	-	-	-	-	-	-	-
	65,660,314	645	41,618	939	1,253	11,329	21,422	980	43
Financial liabilities									
Derivative financial instruments	298,002	-	-	-	-	-	-	-	-
Other accounts payables	72,945	13	-	62	19	-	3,733	498	22
Other payables	219,094	(566)	2,632	18	707	-	3,212	-	-
Investment contract liabilities	1,919,810	-	96,653	-	1,099	-	3,240	-	-
Lease liabilities	-	-	-	-	-	-	2,657	-	-
	2,509,851	(553)	99,285	80	1,825	-	12,842	498	22
Notional amount of currency-related derivative contracts	(28,507,538)	1,446	-	-	3,472	(49,299)	74,876	(88,416)	-
Reinsurance contract assets	532,733	-	(71,885)	-	-	-	20,561	-	-
Insurance contract liabilities	(34,201,516)	-	(1,028,823)	(741)	(765)	-	(127,585)	-	(500)

4 Insurance and financial risk management (continued)

(v) Equity price risk

The portfolio of unit trusts backing linked insurance contracts, which the Group carries on its statement of financial position at fair value, has exposure to price risk. However, such price risk is fully borne by the policyholders as the benefits payable are linked to the price of the securities.

The portfolio of unit trusts backing non-linked insurance contracts, which the Group carries on its statement of financial position at fair value, also has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

At 31 December 2024, the unit trusts backing non-linked insurance contracts were classified as fair value through profit or loss at their fair value of HK$480,160,000 (2023: HK$971,175,000).

At 31 December 2024, it is estimated that an increase/decrease of 10% (2023: 10%) in the market value of Group's unit trusts backing non-linked insurance contracts, with all other variable held constant, would have increased/decreased the Group's total equity by HK$48,016,000 (2023: HK$97,117,000). The analysis is performed on the same basis for 2024.

Sensitivity analysis

An analysis of the Group's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	Profit of loss		*Equity*	
	Increase HK$'000	*Decrease* HK$'000	*Increase* HK$'000	*Decrease* HK$'000
31 December 2024				
Insurance and reinsurance contracts	(352,004)	351,600	(418,628)	418,201
Financial instruments	686,237	(686,237)	686,237	(686,237)
31 December 2023 (Note)				
Insurance and reinsurance contracts	(207,130)	207,099	(215,264)	215,601
Financial instruments	560,588	(560,588)	560,588	(560,588)

Note: Certain comparative figures have been adjusted to conform with current year presentation.

4 Insurance and financial risk management (continued)

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has established and maintained policies and guidelines that govern its valuation methodologies and their consistent application. These policies and guidelines address the use of inputs, price source hierarchies and provide controls around the valuation processes.

These controls include appropriate review and analysis of prices against market activity or indicators for reasonableness, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. The valuation policies and guidelines are reviewed and updated as appropriate.

Annually, the Group conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While the Group was not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process the Group continues to perform for each reporting period.

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

4 Insurance and financial risk management (continued)

The Group reviews the fair value hierarchy classification at each reporting period. Overall, reclassifications between levels occur when there are changes in the observability of inputs and market activity used in the valuation of a financial asset or liability. Such reclassifications are reported as transfers between levels at the beginning of the reporting period in which the changes occur. Given the types of assets classified as Level 1 (primarily debt securities and unit trusts), transfers between Level 1 and Level 2 measurement categories are expected to be infrequent. Transfers into and out of Level 3 are summarised in the schedule of changes in Level 3 assets and liabilities.

The fair value of short-term debt instruments, a maturity less than 30 days, is assumed to be equal to the book value. The Group generally uses unadjusted quotable market prices from independent brokers, when available, to determine the fair value of debt instruments with a maturity greater than 30 days.

	Fair value measurements as at 31 December 2024 categorised into			*Fair value measurements as at 31 December 2023 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						
Assets						
Financial assets at fair value through profit or loss:						
- Private credit and other trust product type funds	-	-	139,982	-	-	306,693
- Listed equity	722,216	-	-	276,593	-	-
- Unlisted equity and other securities	-	-	3,069,976	-	-	2,696,894
- Leveraged and structured note investment	36,040	6,022,482	129,707	38,393	3,097,506	241,834
- Unit trust	2,696,187	5,821,025	667,566	2,152,118	5,975,295	459,950
- Interest in a joint venture	-	-	106,084	-	-	115,725
- Mutual fund	-	304	-	-	327	-
Financial asset at fair value through other comprehensive income:						
- Debt securities	2,281,835	18,519,374	3,367,315	2,466,600	19,557,856	3,734,145
- Listed equity	-	-	-	-	-	-
Derivative financial instruments						
- Currency swaps	-	121,966	-	-	147,925	-
- Forward contracts	-	8,274	-	-	1,992	-
- Bond forward	-	-	-	-	70,756	-
Liabilities						
Derivative financial instruments						
- Currency swaps	-	(18,353)	-	-	(15,416)	-
- Forward contracts	-	(3,039)	-	-	(6,178)	-
- Collateral	-	(83,598)	-	-	(184,126)	-
- Bond forward	-	(320,792)	-	-	(35,269)	-
Preference share liability	-	-	(10,397)	-	-	(101,873)
Third-party interests in consolidated funds	-	-	(61,122)	-	-	(118,488)
Short position in listed equity	(221,510)	-	-	(57,014)	-	-
Investment contract liabilities (Note)	-	(4,557,760)	-	-	(4,588,215)	-

Note: The balance excludes HK$192,889,000 (2023: HK$186,632,000) of unearned revenue liability.

4 Insurance and financial risk management (continued)

During the year, there were no transfers between levels of fair value hierarchy.

During 2023, there were transfers of FVOCI debt instrument from level 1 to level 2 of HK$1,207,952,000. There were transfers of FVOCI debt instrument from level 2 to level 3 of HK$4,296,000. There were transfers of FVTPL debt instrument from level 1 to level 2 of HK$10,096,000. There were transfers of FVTPL unit trusts from level 1 to level 2 of HK$227,692,000. Except for those mentioned above, there was no other transfer. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities

The Group determines the estimated fair value of its investments using primarily the market approach or the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The Group attempts to maximise the use of observable inputs and minimise the use of unobservable inputs in selecting whether the market or the income approach is used.

Debt securities

U.S. Treasury securities and obligations of U.S. government corporations and agencies - These securities are principally valued using the market approach. Level 2 valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spreads versus the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

Debt securities issued by foreign governments and state and local government securities - These securities are principally valued using the market approach. Level 2 valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating. Valuations based primarily on matrix pricing, discounted cash flow models or other valuation techniques that utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data or from inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

4 Insurance and financial risk management (continued)

Assets-backed securities ("ABS") and mortgage-backed securities ("MBS") - These securities are principally valued using the market approach or the income approach. Level 2 valuations are based primarily on broker quotes, matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs including spreads for similar, actively traded securities, spreads versus benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, issuer credit ratings, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, security structure, deal performance and loan vintage. If the matrix pricing, discounted cash flow models or other valuation techniques utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, the fair value measurement is classified as Level 3.

Corporate securities - These securities are principally valued using the market or the income approaches. Level 2 valuations are based primarily on quoted prices in markets that are not active, broker quotes or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads versus benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately placed securities are valued using discounted cash flow models using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. This level also includes securities priced by independent pricing services that use observable inputs. Valuations based on matrix pricing or other similar techniques that utilise significant unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including adjustments for illiquidity, delta spread adjustments or spreads to reflect industry trends or specific credit-related issues are classified as Level 3. In addition, inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

Unit trusts and equity and other securities

These securities are principally valued using the market approach. Level 2 valuations for equity securities are based on quoted market prices adjusted for certain factors, such as foreign market differential. If quoted market prices are not available, values provided by other third-party organisations are used. If values from other third parties are unavailable, certain equity securities, including privately held securities classified within equity securities, are valued using the market and the income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as latest round of financing and market comparable peers. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities and discounted cash flow. These valuations are based on lower levels of trading activity than securities classified in Level 2 and are classified as Level 3.

4 Insurance and financial risk management (continued)

Derivative financial instruments

These financial instruments are primarily valued using the market approach. The estimated fair value of derivatives is based primarily upon quotations obtained from counterparties and independent sources, such as quoted market values received from brokers. These quotations are compared to internally derived prices and a price challenge is lodged with the counterparties and an independent source when a significant difference cannot be explained by appropriate adjustments to the internal model.

When quoted market values are not reliable or available, the value is based upon an internal valuation process using market observable inputs that other market participants would use.

Significant inputs to the valuation of derivative financial instruments include Secured Overnight Financing Rate and Overnight Indexed Swap basis curves, interest rate volatility, swap yield curve, currency spot rates, cross currency basis curves and dividend yield curves. Due to the observability of the significant inputs to these fair value measurements, they are classified as Level 2.

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts. For the periods presented, there were no significant changes to the Group's valuation techniques.

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range Min*	*Max*	*Weighted average*
Financial assets:					
Equity and other securities, FVTPL					
- Partnership investment	Net asset value	Net asset value	NA	NA	NA
Equities securities, FVTPL					
- Unit trusts	Net asset value	Net asset value	NA	NA	NA
Debt securities FVOCI					
- Corporate securities	Matrix pricing and DCF	Credit spread	59BPS	360BPS	133BPS

4 Insurance and financial risk management (continued)

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

Corporate securities - Internally-priced corporate securities classified in Level 3 include certain below investment grade watch list and distressed fixed maturity securities. For securities where discounted cash flows are used, the primary unobservable input is the internally-developed discount rate. Significant increases in the discount rate would result in a significantly lower fair value, with the opposite being true for decreases in the discount rate. In certain cases, the Group uses an estimated liquidation value of the borrower or underlying assets. The Group also applies market comparables, such as earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples for certain securities. In isolation, an increase in the value of these inputs would result in an increase in fair value, with the opposite being true for decreases in the value of these inputs. As at 31 December 2024, 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$230,739,000 (2023: HK$203,257,000). As at 31 December 2024, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the Group's profit or loss by HK$4,175,000 (2023: HK$1,032,000).

Unit trusts - The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. At 31 December 2024, for the fair value sensitivity analysis of unit trusts classified as Level 3, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have decreased/increased the Group's profit or loss by HK$66,757,000 (2023: HK$45,995,000).

Partnership interest - The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group. As at 31 December 2024, 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$293,999,000 (2023: HK$254,874,000).

The gains or losses arising from the disposal of FVOCI securities are presented in "other investment revenue" in the consolidated statement of profit or loss. The net unrealised gains arising from the remeasurement of FVOCI securities are recognised in other comprehensive income.

4 Insurance and financial risk management (continued)

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those non-insurance contract related assets and liabilities

Information about level 3 investment

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

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

Fund investments - the fair value of private debt securities investment fund and interest in a joint venture holding based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group.

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

4 Insurance and financial risk management (continued)

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

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

	2024		*2023*	
Change in the relevant equity price risk variable:	%	*Effect on profit after tax and retained earnings* HK$'000	%	*Effect on profit after tax and retained earnings* HK$'000
Trust type fund products				
Increase	NA	NA	NA	NA
Decrease	NA	NA	NA	NA
Unlisted equity				
Increase	3	466	3	1,025
Decrease	(3)	(570)	(3)	(1,030)
Joint controlled entity				
Increase	10	10,608	10	11,572
Decrease	(10)	(10,608)	(10)	(11,572)
Private credit funds				
Increase	10	13,998	10	30,669
Decrease	(10)	(13,998)	(10)	(30,669)
Preference share liability				
Increase	10	-	10	-
Decrease	(10)	-	(10)	-
Third party interest in consolidated fund				
Increase	10	(4,803)	10	(10,522)
Decrease	(10)	4,803	(10)	10,522

4 Insurance and financial risk management (continued)

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

Financial assets at fair value through profit or loss

	2024 HK$'000	*2023* HK$'000
At 1 January	3,821,096	3,709,622
Purchase/capital injection	447,678	484,503
Settlement on disposal and redemption of products	(149,581)	(76,135)
Net realised gain/(loss) to profit or loss	153,924	(105,945)
Net unrealised loss to profit or loss	(137,294)	(193,935)
Exchange alignment	(22,508)	2,986
At 31 December	4,113,315	3,821,096

Financial assets at fair value through other comprehensive income

	2024 HK$'000	*2023* HK$'000
At 1 January	3,734,145	4,081,297
Purchase	89,667	18,809
Settlements	(356,132)	(403,449)
Net realised (loss)/gain to profit or loss	(51,278)	8,490
Net unrealised (loss)/gain to other comprehensive income	(9,331)	24,176
Transfer into level 3	-	4,296
Exchange alignment	(39,756)	526
At 31 December	3,367,315	3,734,145

4 Insurance and financial risk management (continued)

Financial liabilities at fair value through profit or loss

	2024 HK$'000	*2023* HK$'000
At 1 January	220,361	236,362
Shares redeemed	(91,356)	(3,436)
Distribution to third party investor	(50,129)	(4,820)
Fair value change	(7,357)	(7,745)
At 31 December	71,519	220,361

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 2024 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2024		*Fair value measurements as at 31 December 2024 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	30,658,106	27,723,602	2,251,030	24,212,130	1,260,442
Loans and receivables	4,257,136	3,929,820	-	-	3,929,820

	2023		*Fair value measurements as at 31 December 2023 categorised into*		
	Carrying amount HK$'000	*Fair value* HK$'000	*Level 1* HK$'000	*Level 2* HK$'000	*Level 3* HK$'000
Debt securities	27,845,905	26,043,966	2,372,129	22,252,750	1,419,087
Loans and receivables	4,940,090	4,556,018	-	-	4,556,018

Loans and receivables - The fair value of loans and receivables is established using a discounted cash flow method based on credit rating, maturity and future income. The fair value for impaired loans and receivables 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.

4 Insurance and financial risk management (continued)

(d) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements

The following summarises gross and net information of derivative assets and liabilities, along with collateral received and posted in connection with a master netting agreement:

	2024					
	Gross HK$'000	*Gross amounts offset* HK$'000	*Net amount* HK$'000	*Due and accrued* HK$'000	*Collateral posted* HK$'000	*Net amount* HK$'000
Other accounts receivable	43,788	(33,587)	10,201	-	-	10,201
Other accounts payable	169,180	(33,587)	135,593	-	-	135,593
Derivative assets	131,363	(1,123)	130,240	3,513	(83,598)	50,155
Derivative liabilities	343,307	(1,123)	342,184	(157)	(317,452)	24,575

	2023					
	Gross HK$'000	*Gross amounts offset* HK$'000	*Net amount* HK$'000	*Due and accrued* HK$'000	*Collateral posted* HK$'000	*Net amount* HK$'000
Other accounts receivable	64,023	(32,620)	31,403	-	-	31,403
Other accounts payable	158,458	(32,620)	125,838	-	-	125,838
Derivative assets	226,601	(5,928)	220,673	3,696	(184,126)	40,243
Derivative liabilities	62,791	(5,928)	56,863	(389)	(28,750)	27,724

The Group's principal derivative market risk exposures are interest rate risk, which includes the impact of inflation, and credit risk. Interest rate risk pertains to the change in fair value of the derivative instruments as market interest rates move. The Group is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to minimise credit risk the Group and its derivative counterparties generally enter into master agreements that require collateral to be posted in the amount owed under each transaction, subject to minimum transfer amounts. These same master agreements allow for contracts in a positive position, in which the Group is due amounts, to be offset by contracts in a negative position. This right of offset combined with collateral obtained from counterparties, reduces the Group's exposure. The Group regularly monitors counterparty credit ratings and exposures, derivatives positions and valuations, and the value of collateral posted to ensure counterparties are credit-worthy and the concentration of exposure is minimised. The Group monitors this exposure as part of its management of the Group's overall credit exposures.

If amounts are due from the counterparty, they are reported as an asset. If amounts are due to the counterparty, they are reported as a liability. Negative values in the carrying value of a particular derivative category can result from the counterparty's right to offset carrying value positions in other derivative categories.

The uncertainties about the amount and timing of claims payment are typically resolved within one year.

4 Insurance and financial risk management (continued)

The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the other accounts receivable and other accounts payable together with derivative financial instruments classified under other payables presented in the consolidated statement of financial position.

	2024 HK$'000	*2023* HK$'000
Net amount of financial assets after offsetting as stated above	10,201	31,403
Financial assets not in scope of offsetting disclosure	219,371	81,757
	229,572	113,160
Net amount of financial liabilities after offsetting as stated above	135,593	125,838
Financial liabilities not in scope of offsetting disclosure	367,248	259,725
	502,841	385,563

(e) Claims development

The uncertainties about the amount and timing of claims payment are typically resolved within one year.

(f) Cash flow hedge

As at 31 December 2024, the Group uses bond forward contract to provide cash flow hedge in order to protect from interest rate volatility and re-investment risk, the market yield risk arising from the highly probable forecast reinvestment.

The hedge effectiveness is demonstrated by the contractual term in physical delivery of bond.

The potential sources of ineffectiveness are as below:

- Change in the delivery date for the hedged items;
- Change in cash level of the portfolio (below the notional amount of the contract) due to mis-payment of coupon or/and principal payment or significant below premium inflow from sales.
- Significant change in credit risk of the counterparty to the forward contract.

The Group assesses the hedge effectiveness at the inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

5 Critical accounting judgements and key sources of estimation uncertainty

(a) Actuarial assumptions on liabilities for remaining coverage of insurance contract liabilities

The process used to determine the assumptions is intended to result in estimates of the most likely outcome with reasonable provisions for possible adverse deviations.

The assumptions that are considered include the expected number and timing of deaths, surrenders, discount rates, renewal expenses and inflation over the period of exposure. Note 27(e) provides detailed information about the actuarial assumptions on liabilities for remaining coverage of insurance and reinsurance contract liabilities.

(b) Determination of consolidation scope and business combination

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

Note 21 provides detailed information about the subsidiaries of the Group, Note 22 provides detailed information about key assumptions used in the goodwill impairment assessment.

(c) Classification and fair value of derivatives and financial instruments

Under HKFRS 9, classification of financial instruments depends on the contractual cashflow characteristics (the Solely Payment of Principal and Interest ("SPPI") criteria) and driven by the business model of the entity. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity applies the election to measure at FVOCI. Management judgement is involved throughout the assessment.

The Group selects appropriate valuation techniques for financial instruments which are classified as level 2 and 3 investments in accordance with the Group's significant accounting policies. Note 4(c) provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

(d) Expected credit loss estimation

The Group selects appropriate methodology and assumptions in accordance with the Group's significant accounting policies. Note 2 provides detailed information about the key assumptions used in the determination of the expected credit loss of financial instruments classified under amortised cost and for debt instruments carried at FVOCI.

6 Insurance revenue

	2024	*2023*
	HK$'000	HK$'000
Contract not measured under PAA		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided	691,095	712,138
- Change in risk adjustment for non-financial risk for risk expired	(32,770)	(23,263)
- Expected incurred claims and other insurance service expenses	976,597	874,073
Recovery of insurance acquisition cash flows	806,430	719,583
	2,441,352	2,282,531
Contract measured under PAA	357,849	342,854
Total insurance revenue (Note 27(a))	2,799,201	2,625,385

7 Net financial result

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

	Note	*2024* HK$'000	*2023* HK$'000
Investment return			
Interest revenue calculated using effective interest method (Note (b))		3,089,457	2,803,589
Other investment revenue (Note (c))		853,767	499,248
Net impairment loss on financial assets (Note (d))		(129,795)	(123,011)
Total investment return		3,813,429	3,179,826
Net finance (expenses)/income from insurance contracts			
Change in fair value of underlying items		(738,015)	(502,540)
Interest accreted		(2,578,990)	(2,527,000)
Effect of changes in interest rates and other financial assumptions		2,265,631	(1,334,198)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(1,923,203)	(4,606)
Net foreign exchange (loss)/gain		(172,036)	31,738
Total net finance expenses from insurance contracts	27(a)	(3,146,613)	(4,336,606)
Net finance income/(expense) from reinsurance contracts			
Interest accreted		346,122	300,877
Others		81,696	(104,598)
Total net finance income from reinsurance contracts	27(a)	427,818	196,279
Movement in investment contracts		(212,419)	(218,380)
Movement in third party interests consolidated funds		7,237	7,879
Net financial result		889,452	(1,171,002)

	2024 HK$'000	2023 HK$'000
Net financial result		
Amounts recognised in profit or loss	757,811	760,702
Amounts recognised in other comprehensive income	131,641	(1,931,704)
	889,452	(1,171,002)

7 Net financial result (continued)

(a) Insurance finance income and expenses

	2024 HK$'000	*2023* HK$'000
Net finance expenses from insurance contracts		
Amounts recognised in profit or loss	(3,097,872)	(2,293,667)
Amounts recognised in other comprehensive income	(48,741)	(2,042,939)
	(3,146,613)	(4,336,606)
Net finance income from reinsurance contracts		
Amounts recognised in profit or loss	247,436	85,044
Amounts recognised in other comprehensive income	180,382	111,235
	427,818	196,279

(b) Interest revenue calculated using effective interest method

	2024 HK$'000	*2023* HK$'000
Interest revenue calculated using effective interest method		
Related to insurance business		
Financial assets measured at amortised cost	1,873,097	1,534,983
Financial assets measured at fair value through other comprehensive income	1,175,588	1,202,420
	3,048,685	2,737,403
Related to other financial services		
Financial assets measured at amortised cost	39,856	43,692
Financial assets measured at fair value through profit or loss	916	22,494
	40,772	66,186
Total interest revenue calculated using effective interest method	3,089,457	2,803,589

7 Net financial result (continued)

(c) Other investment revenue

	2024 HK$'000	*2023* HK$'000
<u>*Related to insurance business*</u>		
Underlying items		
Net gains of financial instruments designated at FVTPL		
Net unrealised (losses)/gains of debt securities	(135,730)	23,219
Net gains of financial instruments mandatorily measured at FVTPL		
Net unrealised gains of debt securities	123,201	1,728
Net unrealised gains of equity securities, fund investment and unit trusts	154,920	217,786
Net realised gains of equity securities, fund investment and unit trusts (Note (i))	302,340	84,036
Net fair value movement on derivatives	(4,479)	(2,301)
Net gains in respect of financial instruments measured at FVTPL	440,252	324,468
Interest income for financial instruments designated at FVTPL	87,158	13,981
Dividend income from equity instruments measured at FVTPL	147,631	117,462
Others	1,665	513
	676,706	456,424

7 Net financial result (continued)

	2024 HK$'000	*2023* HK$'000
<u>*Related to insurance business*</u>		
Not underlying items		
At AC/FVOCI		
Net realised gains/(losses) of debt securities at FVOCI	2,720	(48,021)
Net realised losses of debt securities at AC (Note (ii))	(7,609)	(29,525)
Net realised losses of loans and receivables	(32,439)	(200)
	(37,328)	(77,746)
At FVTPL		
Net gains of financial assets designated at FVTPL		
Net unrealised gains of debt securities	-	62
Net losses of financial instruments mandatorily measured at FVTPL		
Net unrealised gains of debt securities	83,225	63,767
Net realised losses of debt securities	(351)	(41,312)
Net unrealised gains/(losses) of equity securities, fund investment and others, unit trusts	103,709	(103,778)
Net realised (losses)/gains of equity securities, fund investment and others, unit trusts	(106,923)	67,443
Net fair value movement on derivatives	(111,575)	(42,044)
Net losses in respect of financial instruments measured at FVTPL	(31,915)	(55,862)
Interest income for financial instruments mandatorily measured at FVTPL	72,290	108,625
Dividend income from equity instruments measured at:		
- FVOCI	-	88
- FVTPL	148,127	134,674
Others	-	32,641
	151,174	142,420

7 Net financial result (continued)

	2024 HK$'000	*2023* HK$'000
Related to other financial business		
At FVTPL		
Net unrealised losses of equity securities, fund investment and others	(156,159)	(95,164)
Net realised gains/(losses) of equity securities, fund investment and others	154,485	(30,874)
Net fair value movement on derivatives	15,910	10,062
	14,236	(115,976)
Dividend income from equity instruments measured at FVTPL	11,651	16,380
	25,887	(99,596)
Total other investment revenue	853,767	499,248

Notes:

(i) The realised gain on disposal of securities at FVTPL, FVOCI and AC was HK$302,340,000 (2023: HK$84,036,000) during the year, which are related to the insurance contracts under the variable fee approach ("VFA").

(ii) Included in the other investment revenue, there were disposals and derecognition of debt securities at amortised cost resulted from investment risk management, rebalancing of investment portfolio and repayment from debt securities upon maturity.

(d) Net impairment loss on financial assets

	2024 HK$'000	*2023* HK$'000
Related to insurance business		
Not underlying items		
Impairment loss of amortised cost debt securities and loans and receivables	(130,708)	(48,356)
Reversal of/(provision for) impairment loss of fair value through other comprehensive income debt securities	913	(74,655)
Total net impairment loss on financial assets	(129,795)	(123,011)

8 Revenue from investment management and other financial services

	2024	*2023*
	HK$'000	HK$'000
Brokerage commission, interest and other service income	16,856	20,564
Subscription, management and rebate fee income	5,629	4,638
Management fee for investment contracts	21,044	26,209
	43,529	51,411

9 Other income

	2024	*2023*
	HK$'000	HK$'000
Net gain on deemed partial disposal of associates	11,053	9,845
Trustee fee income	25,997	36,278
Other income	54,798	27,393
	91,848	73,516

10 Expenses

	2024 HK$'000	*2023* HK$'000
Claims and benefits	879,219	926,496
Fees and commissions	1,740,316	2,461,819
Losses and reversal of losses on onerous insurance contracts	14,045	(50,016)
Staff costs (Note a)	519,462	495,028
Auditors' remuneration	15,900	23,463
Legal and professional costs	1,528	10,506
Depreciation and amortisation on property and equipment and other intangible assets	197,491	188,973
Impairment loss/(reversal) on:		
- Other accounts receivable	326	1,967
- Other receivables	14,172	(6)
Information, data and communication expenses	22,156	27,334
Net exchange loss	37,161	10,111
Movement in other contract assets	(12,202)	(13,689)
Others	352,444	432,579
Amounts attributed to insurance acquisition cash flows incurred during the year	(2,152,613)	(2,878,973)
Amortisation of insurance acquisition cash flows	869,057	810,973
	2,498,462	2,446,565
Represented by:		
Insurance service expenses	2,108,241	2,054,008
Other operating expenses	390,221	392,557
	2,498,462	2,446,565

(a) Staff costs

	2024 HK$'000	*2023* HK$'000
Reversal of equity-settled share-based payment expenses (Note 37)	-	(1,575)
Salaries, allowances and benefits in kind	489,013	469,306
Social welfare	30,449	27,297
	519,462	495,028

10 Expenses (continued)

The Group operates the Mandatory Provident Fund Scheme (the "MPF scheme") for all qualified employees in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2023: HK$30,000). Contributions to the plan vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans. The contributions to the defined contribution plans are expensed as incurred.

There is no forfeited contribution from the defined contribution schemes for the year ended 31 December 2024 and 31 December 2023 that may be used by the Company and its subsidiaries to reduce the existing level of contributions as the contributions are fully vested to the employees immediately upon contributions are made.

During the year, wealth management products and securities brokerage transaction fees approximately amounted to HK$5,000 (2023: HK$5,000) were waived as part of staff benefit scheme.

11 Finance costs

	2024 HK$'000	*2023* HK$'000
Bank loan interest	96,062	98,570
Interest on lease liabilities	6,111	6,800
Interest on preference share liability	3,759	6,334
Other interest expense	9,302	5,871
Shareholder's loan interest	112,298	84,551
	227,532	202,126

12 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2024 HK$'000	*2023* HK$'000
Current tax		
Hong Kong		
Provision for the year	68,774	58,543
Over-provision in respect of prior years	(130)	(217)
Macao		
Provision for the year	7,838	54,928
Over-provision in respect of prior years	(5,927)	(2,140)
Overseas		
Provision for the year	-	1
	70,555	111,115
Deferred tax		
Origination and reversal of temporary differences (Note 31(b))	56,598	1,234
	127,153	112,349

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.

The provision for Hong Kong Profits Tax for 2024 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023-24 subject to a maximum reduction of HK$3,000 for each business (2023: maximum reduction of HK$10,000 was granted for the year of assessment 2022-23 and was taken into account in calculating the provision for 2023).

The provision for Macao Complementary Tax is calculated at tax rate of 12.0% (2023: 12.0%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

12 Income tax in the consolidated statement of profit or loss (continued)

(b) Taxation in the consolidated statement of other comprehensive income represents:

	2024 HK$'000	*2023* HK$'000
Items that will not be reclassified to profit or loss		
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	-	(91)
Items that are or maybe reclassified subsequently to profit or loss		
Net movement in the fair value reserve during the year recognised in other comprehensive income	51,785	80,553
Exchange differences arising on translation of results of foreign operations	(9,327)	2,156
Net finance expenses from insurance contracts	29,252	34,098
Net finance income from reinsurance contracts	(13,889)	(13,903)
	57,821	102,904
	57,821	102,813

12 Income tax in the consolidated statement of profit or loss (continued)

(c) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2024 HK$'000	*2023* HK$'000
Profit before taxation	904,724	825,256
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	106,938	96,827
Tax effect of surplus transferred from Hong Kong long term individual life business	(90,871)	(28,087)
Notional tax on net premiums written in respect of Hong Kong long term individual life business	61,469	57,721
Difference in tax in foreign jurisdiction	6,439	(62,705)
Tax effect of non-taxable income	(21,418)	(5,911)
Tax adjustment in respect of prior years	(6,057)	(2,357)
Tax effect of non-deductible expenses	39,526	22,823
Tax effect of prior year's tax losses utilised this year	4	5
Tax effect of tax losses not recognised	27,683	31,079
Others	3,440	2,954
Tax expenses	127,153	112,349

(d) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Based Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. On 27 December 2024, the Hong Kong SAR Government amended the Inland Revenue Ordinance to introduce a domestic minimum top-up tax which will take effect from the year ending 31 December 2025. The Group is in progress of assessing the impact to the Group's consolidated financial statements.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

13 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Company (Disclosure of Information about Benefits of Directors) Regulations are as follows:

	2024						
	Directors' fees HK$'000	*Salaries, allowances and benefits in kind* HK$'000	*Discretionary bonus (Note i)* HK$'000	*Contributions to Mandatory Provident Fund* HK$'000	*Sub-total* HK$'000	*Share-based payments (Note ii)* HK$'000	*Total* HK$'000
Chairman							
Yu Feng	-	-	-	-	-	-	-
Executive directors							
Fang Lin (Note iii)	-	4,239	-	15	4,254	-	4,254
Huang Xin	-	-	-	-	-	-	-
Non-executive directors							
Hai Olivia Ou	240	12	-	-	252	-	252
Michael James O'Connor	-	-	-	-	-	-	-
Independent non-executive directors							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
Total	1,332	4,293	-	15	5,640	-	5,640

Notes:

i The discretionary bonus amount represents bonus accrued and approved for the year 2024.

ii It represents the estimated value of share award granted to the individuals under the Company's share award scheme. The value of these share awards are measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(u).

iii Resigned as executive director and chief executive officer effective on 18 October 2024.

13 Directors' emoluments (continued)

	2023						
	Directors' fees HK$'000	*Salaries, allowances and benefits in kind* HK$'000	*Discretionary bonus (Note i)* HK$'000	*Contributions to Mandatory Provident Fund* HK$'000	*Sub-total* HK$'000	*Share-based payments (Note ii)* HK$'000	*Total* HK$'000
Chairman							
Yu Feng	-	-	-	-	-	-	-
Executive directors							
Fang Lin (Note iii)	-	3,883	-	9	3,892	-	3,892
Huang Xin	-	-	-	-	-	-	-
Non-executive directors							
Hai Olivia Ou	240	12	-	-	252	-	252
Adnan Omar Ahmed (Note iv)	-	-	-	-	-	-	-
Michael James O'Connor	-	-	-	-	-	-	-
Independent non-executive directors							
Chu Chung Yue, Howard	360	18	-	-	378	-	378
Qi Daqing	492	12	-	-	504	-	504
Xiao Feng	240	12	-	-	252	-	252
Total	1,332	3,937	-	9	5,278	-	5,278

Notes:

i The discretionary bonus amount represents bonus accrued and approved for the year 2023.

ii It represents the estimated value of share award granted to the individuals under the Company's share award scheme. The value of these share awards are measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(u).

iii Appointed as executive director and chief executive officer effective on 10 July 2023.

iv Resigned as a non-executive director effective on 30 June 2023.

14 Individual with highest emoluments

Of the five individuals with the highest emoluments, one (2023: one) is a director whose emoluments is disclosed in Note 13. The aggregate of the emoluments in respect of the four (2023: four) individuals are as follows:

	2024 HK$'000	*2023* HK$'000
Salaries, allowances and benefits in kind	15,225	17,562
Discretionary bonus	4,223	11,760
Contributions to Mandatory Provident Fund and retirement scheme contribution	1,113	1,184
	20,561	30,506

The emoluments of the five (2023: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2024	*2023*
HK$2,000,001 to HK$2,500,000	-	1
HK$3,000,001 to HK$3,500,000	2	-
HK$3,500,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$4,500,000	1	-
HK$4,500,001 to HK$5,000,000	-	1
HK$5,500,001 to HK$6,000,000	1	-
HK$7,000,001 to HK$7,500,000	-	1
HK$12,000,001 to HK$12,500,000	-	1

15 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2024 of HK$470,788,000 (2023: profit attributable to equity shareholders of the Company of HK$397,164,000), and the weighted average number of shares in issue during the year ended 31 December 2024 of 3,852,570,006 (2023: 3,852,570,006).

Weighted average number of ordinary shares

	2024	*2023*
Issued ordinary shares at 1 January	3,867,991,673	3,867,991,673
Effect of shares held by share award scheme	(15,421,667)	(15,421,667)
Weighted average number of ordinary shares at 31 December	3,852,570,006	3,852,570,006

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2024 of HK$470,788,000 (2023: profit attributable to equity shareholders of the Company of HK$397,164,000), and the weighted average number of shares during the year ended 31 December 2024 of 3,852,570,006 (2023: 3,852,570,006).

Weighted average number of ordinary shares (diluted)

	2024	*2023*
Weighted average number of ordinary shares at 31 December	3,852,570,006	3,852,570,006
Weighted average number of ordinary shares *(diluted)* at 31 December	3,852,570,006	3,852,570,006

16 Segment reporting

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

16 Segment reporting (continued)

After the completion of the YF Life acquisition, the Group is largely dominated by the insurance business. As a result, management decided to streamline and regroup the operating segments. Insurance business is considered as an operating segment and other operating segments that existed prior to the acquisition are consolidated as financial services and corporate to reflect the long term business development focus.

Consequently, the Group currently has two operating segments:

(i) Insurance business - engage in the writing of long term assurance business, which is operated by YF Life.

(ii) Other financial services and corporate includes

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

b) Wealth and asset management - provision of fund and asset management services as well as financing and investing solution for corporate clients;

c) Principal investment - utilise capital 1) to provide funding on developing financial products and the funds managed by wealth management team 2) to improve returns on the Group’s capital and cash flow management based on treasury management model that may involve (but shall not be limited to) holding fixed income instruments, high grade equity instruments and other financial investments;

d) Financial technology activities - includes administrative expenses, research and development costs, staff costs and data and technology related expenses related to the Group’s financial technology activities to support other financial services function; and

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

The accounting policies of the reportable segments are the same as those followed by the Group in the last annual financial statements.

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating and finance costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision maker, at the relevant times, for the purposes of resource allocation and performance assessment.

16 Segment reporting (continued)

(a) Segment revenue and results

For the year ended 31 December 2024

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Insurance revenue	2,799,201	-	2,799,201
Insurance service expenses	(2,108,241)	-	(2,108,241)
Net expenses from reinsurance contracts	(59,369)	-	(59,369)
Insurance service result	631,591	-	631,591
Allocated revenue from investment management and other financial services	21,044	22,485	43,529
Revenue from external party	652,635	22,485	675,120
Inter-segment income	1,553	-	1,553
Reportable segment revenue	654,188	22,485	676,673
Allocated investment return	3,746,770	66,659	3,813,429
Net finance expenses from insurance contracts	(3,097,872)	-	(3,097,872)
Net finance income from reinsurance contracts	247,436	-	247,436
Movement in investment contracts	(212,419)	-	(212,419)
Movement in financial liabilities related to third party interest in consolidated funds	-	7,237	7,237
Allocated other income	79,677	12,171	91,848
Allocated operating costs	(269,085)	(126,589)	(395,674)
Allocated finance costs	(5,698)	(13,474)	(19,172)
Share of loss of equity-accounted investees, net of tax	-	(2,302)	(2,302)
Reportable segment profit/(loss)	1,142,997	(33,813)	1,109,184
Elimination of inter-segment loss			3,900
Reportable segment profit derived from Group's external customers			1,113,084
Unallocated finance costs			(208,360)
Taxation			(127,153)
Profit for the year			777,571
Depreciation and amortisation on property and equipment and other intangible assets	187,282	10,209	197,491
Bank interest income	128,730	39,856	168,586
Reportable segment assets (including investment in associates and those identified intangible asset at acquisition of YF Life, cash and cash equivalent and fixed bank deposits with original maturity over 3 months)	91,501,546	2,690,142	94,191,688
Additions to non-current segment assets during the year other than associates	168,297	9,715	178,012
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	4,893,846	709,471	5,603,317
Investment in associates	-	118,554	118,554
Reportable segment liabilities (including those identified deferred tax liabilities at acquisition of YF Life)	(75,894,993)	(4,486,699)	(80,381,692)

16 Segment reporting (continued)

For the year ended 31 December 2023

	Insurance business HK$'000	*Other financial services and corporate* HK$'000	*Total* HK$'000
Insurance revenue	2,625,385	-	2,625,385
Insurance service expenses	(2,054,008)	-	(2,054,008)
Net expenses from reinsurance contracts	(26,257)	-	(26,257)
Insurance service result	545,120	-	545,120
Allocated revenue from investment management and other financial services	26,209	25,202	51,411
Revenue from external party	571,329	25,202	596,531
Inter-segment income	8,357	-	8,357
Reportable segment revenue	579,686	25,202	604,888
Allocated investment return	3,213,236	(33,410)	3,179,826
Net finance expenses from insurance contracts	(2,293,667)	-	(2,293,667)
Net finance income from reinsurance contracts	85,044	-	85,044
Movement in investment contracts	(218,380)	-	(218,380)
Movement in financial liabilities related to third party interest in consolidated funds	-	7,879	7,879
Allocated other income	62,869	10,647	73,516
Allocated operating costs	(257,608)	(139,773)	(397,381)
Allocated finance costs	(6,406)	(12,600)	(19,006)
Share of loss of equity-accounted investees, net of tax	-	(10,810)	(10,810)
Reportable segment profit/(loss)	1,164,774	(152,865)	1,011,909
Elimination of inter-segment loss			(3,533)
Reportable segment profit derived from Group's external customers			1,008,376
Unallocated finance costs			(183,120)
Taxation			(112,349)
Profit for the year			712,907
Depreciation and amortisation on property and equipment and other intangible assets	174,586	14,387	188,973
Bank interest income	91,712	43,692	135,404
Reportable segment assets (including investment in associates and those identified intangible asset at acquisition of YF Life, cash and cash equivalent and fixed bank deposits with original maturity over 3 months)	85,805,269	2,523,185	88,328,454
Additions to non-current segment assets during the year other than associates	163,974	472	164,446
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	4,309,864	923,058	5,232,922
Investment in associates	-	121,500	121,500
Reportable segment liabilities (including those identified deferred tax liabilities at acquisition of YF Life)	(69,681,193)	(4,062,881)	(73,744,074)

16 Segment reporting (continued)

(b) Reconciliation of segment assets and liabilities

	2024 HK$'000	*2023* HK$'000
Assets		
Reportable segment assets	94,191,688	88,328,454
Elimination of inter-segment asset transfer	(5,133)	(9,033)
Elimination of inter-segment receivables	(66,546)	(66,617)
	94,120,009	88,252,804
Goodwill	1,825,562	1,825,562
Deferred tax assets	95,940	70,910
Tax recoverable	39	45
Consolidated total assets	96,041,550	90,149,321

	2024 HK$'000	*2023* HK$'000
Liabilities		
Reportable segment liabilities	80,381,692	73,744,074
Elimination of inter-segment payables	(67,296)	(67,367)
	80,314,396	73,676,707
Tax payable	33,071	67,545
Consolidated total liabilities	80,347,467	73,744,252

(c) Geographical segment information

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

(d) Information about major customers

No customer account for more than 10% of the total revenue of the Group for the year ended 31 December 2024.

16 Segment reporting (continued)

(e) Net operating income

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

<u>Insurance business segment</u>

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

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

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

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

<u>Other financial service segment</u>

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

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

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

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

16 Segment reporting (continued)

	2024 HK$'000	*2023* HK$'000
Insurance business segment net operating income	1,166,800	1,036,300
Other financial services and corporate segment net operating loss	(32,900)	(45,800)
Net operating income	1,133,900	990,500
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	(233,500)	(54,800)
- Other items	82,500	64,000
Other financial services		
- Investment return related to principal investment activity	300	(100,900)
- Finance costs related to long term borrowings	(208,360)	(183,121)
- Staff share award/option related expenses	-	1,575
- Other items	2,731	(4,347)
Profit for the year	777,571	712,907

17 Other comprehensive income

Reclassification adjustments relating to components of other comprehensive income

	2024 HK$'000	*2023* HK$'000
Debt securities classified as fair value through other comprehensive income:		
Changes in fair value recognised during the year	(1,234,719)	1,145,888
Reclassification adjustments for amounts transferred to profit or loss:		
Net (gains)/losses on disposal	(2,720)	48,021
(Reversal of)/provision for impairment losses	(913)	74,655
Net movement in the fair value reserve during the year recognised in other comprehensive income	(1,238,352)	1,268,564

18 Property and equipment

	Properties leased for own use HK$'000	*Motor vehicle* HK$'000	*Leasehold improvements* HK$'000	*Office equipment and furniture* HK$'000	*Computers equipment* HK$'000	*Total* HK$'000
Cost						
At 1 January 2023	343,604	-	81,027	41,147	465,222	931,000
Additions	105,450	2,813	7,213	4,293	29,589	149,358
Write off and disposal	(41,428)	-	(7,865)	(4,276)	(3,618)	(57,187)
Exchange alignment	49	5	16	(29)	158	199
At 31 December 2023	407,675	2,818	80,391	41,135	491,351	1,023,370
At 1 January 2024	407,675	2,818	80,391	41,135	491,351	1,023,370
Additions	83,483	-	27,846	7,922	58,761	178,012
Write off and disposal	(106,860)	-	-	(18,244)	(1,565)	(126,669)
Exchange alignment	(2,516)	(18)	(792)	(299)	(3,847)	(7,472)
At 31 December 2024	381,782	2,800	107,445	30,514	544,700	1,067,241
Accumulated depreciation and impairment						
At 1 January 2023	138,492	-	33,122	20,393	64,722	256,729
Charge for the year	113,591	884	28,008	9,320	36,586	188,389
Write off and disposal	(38,665)	-	(7,865)	(4,262)	(3,607)	(54,399)
Exchange alignment	108	1	39	(25)	68	191
At 31 December 2023	213,526	885	53,304	25,426	97,769	390,910
At 1 January 2024	213,526	885	53,304	25,426	97,769	390,910
Charge for the year	116,780	938	31,359	7,271	41,113	197,461
Write off and disposal	(106,860)	-	-	(17,771)	(1,563)	(126,194)
Exchange alignment	(1,453)	(10)	(642)	(201)	(1,253)	(3,559)
At 31 December 2024	221,993	1,813	84,021	14,725	136,066	458,618
Net carrying amount						
At 31 December 2024	159,789	987	23,424	15,789	408,634	608,623
At 31 December 2023	194,149	1,933	27,087	15,709	393,582	632,460

18 Property and equipment (continued)

Right of use asset

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

	2024 HK$'000	*2023* HK$'000
Ownership interests in leasehold land and building held for own use with remaining lease term of:		
- Less than 10 years	159,789	194,149
Office equipment and furniture carried at depreciated cost	5,553	3,575
Computers equipment carried at depreciated cost	841	2,980
	166,183	200,704

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

	2024 HK$'000	*2023* HK$'000
Depreciation charge of right-of-use assets by class of underlying asset		
Properties leased for own use	116,780	113,591
Office equipment and furniture	1,825	4,199
Computers equipment	2,131	2,245
	120,736	120,035

	2024 HK$'000	*2023* HK$'000
Interest on lease liabilities	6,111	6,800
Expense relating to short-term leases and other leases	-	11,924

During the year, additions to right-of-use assets were HK$87,786,000 (2023: HK$107,776,000). This amount is primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities as of 31 December 2024 are set out in Notes 26 and 33, respectively.

As of 31 December 2024, there are no leases subject to variable lease payment arrangement.

19 Statutory deposits

	2024 HK$'000	*2023* HK$'000
Statutory deposits	5,602	4,193

The Group has deposited in the name of the Director of Accounting Services with a bank a sum of HK$1,573,000 (2023: HK$1,558,000) pursuant to section 77(2)(e) of the Hong Kong Trustee Ordinance and also with the exchanges and clearing house.

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

20 Investment in associates

Aggregate information of associates that are not individually material:

	2024 HK$'000	*2023* HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	118,554	121,500
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	(2,302)	(10,810)
Other comprehensive income	(11,697)	(9,546)
Total comprehensive income	(13,999)	(20,356)

21 Interests in subsidiaries

(a) Details of the subsidiaries principally affected the results and assets of the Group

The following list contains the details of the Company's subsidiaries as at which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	*Place of incorporation and business*	*Particular of issued shares/registered and fully paid-up capital (Note1)*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Yunfeng Asset Management Limited	Hong Kong	7,910,000 shares	100%	-	100%	Provision of assets management services
Yunfeng Securities Limited	Hong Kong	158,000,000 shares	100%	-	100%	Securities broking
Yunfeng Financial Markets Limited	Hong Kong	125,000,000 shares	100%	100%	-	Securities broking
Youyu Smart Technologies Limited	Hong Kong	7,500,000 shares	100%	-	100%	Provision of financial technology services
Yunfeng Financial International Holdings Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Yuvan Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Youyu Global Limited	Hong Kong	1 share	100%	100%	-	Provision of administrative services
YF Life Insurance International Limited	Hong Kong	3,716,000,000 shares	69.8%	-	69.8%	Long term assurance business
Protective Capital (International) Limited	Hong Kong	78,610,000 shares	69.8%	-	69.8%	Provision of general services
YF Life Services Limited	Hong Kong	2 shares	69.8%	-	69.8%	Provision of general services
YF Life Guardian Limited	Hong Kong	2 shares	69.8%	-	69.8%	Provision of general services
YF Life Trustees Limited	Hong Kong	73,000,000 shares	69.8%	-	69.8%	Provision of trustee services

21 Interests in subsidiaries (continued)

Name of company	*Place of incorporation and business*	*Particular of issued shares/registered and fully paid-up capital (Note 1)*	*Proportion of ownership interest*			*Principal activities*
			Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
YF Life Consultants Limited	Hong Kong	50,000 shares	69.8%	-	69.8%	Provision of general services
YF Life Investors Limited	Hong Kong	5,000,000 shares	69.8%	-	69.8%	Provision of general services
北京雲鋒環球投資咨詢有限公司 (Note 2)	PRC	Registered capital RMB 70,000,000 Paid-up capital RMB48,022,624	100%	-	100%	Provision of advisory service, marketing and promoting products and public relations services
深圳市有魚智能科技有限公司 (Note 3)	PRC	Registered capital RMB 100,000,000 Paid-up capital RMB8,010,000	100%	-	100%	Technological development of computer software and hardware, technical consulting, technology services, database and computer network services
Majik Cayman GP 1 Limited	Caymans Island	1 share of US$1 each	100%	-	100%	Fund management
Majik Cayman GP 2 Limited	Caymans Island	1 share of US$1 each	100%	-	100%	Fund management
Majik Cayman SPV 3 Limited	Caymans Island	Authorised capital US$50,000 divided into 2,500,000 preferred shares and 2,500,000 ordinary shares. Each share is at US$0.01 par value each. 250,100 common shares and 247,092.27 preferred shares issued	100%	-	100% common share	Investment holdings
Majik Access USD Fund 1 L.P.	Caymans Island	US$114.2 million	65.7%	-	65.7%	Investment

Note 1: The class of shares held is ordinary shares unless otherwise stated.

Note 2: The company is registered as a wholly foreign-owned enterprise under the laws of the PRC.

Note 3: The company is registered as a limited liability company under the laws of the PRC.

Note 4: For the fund partnership entities, the balance represents capital commitment being made by limited partners to the partnership.

21 Interests in subsidiaries (continued)

(b) Information about material non-controlling interest

The following table lists out the information relating to YF Life, the only subsidiary with material non-controlling interest ("NCI") as at 31 December 2024. The summarised financial information presented below represents the amounts including intangible assets identified on acquisition date before any inter-company elimination.

	2024 HK$'000	*2023* HK$'000
NCI percentage	30.2%	30.2%
Total assets	91,597,431	85,876,127
Total liabilities	(75,928,064)	(69,748,737)
Total net assets	15,669,367	16,127,390
Net assets attributable to NCI	4,732,148	4,870,472
Goodwill attributable to NCI	531,276	531,276
Carrying amount of NCI	5,263,424	5,401,748
Insurance service result	633,144	546,477
Profit for the year	1,015,841	1,045,505
Total comprehensive income	(458,022)	488,011
Profit allocated to NCI	306,783	315,743
Dividend paid to NCI	-	-
Cash flows from operating activities	993,377	7,301,652
Cash flows from investing activities	24,472	(5,990,252)
Cash flows from financing activities	(299,542)	(347,144)

22 Goodwill and other intangible assets

(a) Goodwill

	2024 HK$'000	*2023* HK$'000
At 1 January and 31 December	1,829,046	1,829,046
Accumulated impairment loss		
At 1 January and 31 December	3,484	3,484
Carrying amount		
At 1 January and 31 December	1,825,562	1,825,562

The recoverable amount of the cash generating units containing goodwill or intangible assets arose from the acquisition of YF Life was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what the cash generating units are able to achieve in their business life. The directors determined the cash flow projection based on past performance and their expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determines that there are no impairments of its cash generating units containing goodwill and intangible assets.

In respect of insurance business, the recoverable amount was determined based on YF Life appraisal value, which consists of the adjusted net worth plus the present value of inforce business and the new business value after cost of capital.

Impairment test for goodwill

Goodwill arises primarily in respect of the Group's insurance business. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit, including goodwill, to the recoverable amount of that cash-generating unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the goodwill allocated to that unit shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit unless otherwise stated.

The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit. The present value of expected future new business, covering a ten year period (in line with industry practice), is based on financial budgets approved by management. The financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses.

22 Goodwill and other intangible assets (continued)

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. In the majority of instances these assumptions are aligned to those assumptions detailed in Section "Embedded Value". The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that is used in the embedded value of the business and the present value of expected future new business is 8.75% (2023: 8.75%).

(b) Other intangible assets

	Trade name HK$'000	*Trading rights* HK$'000	*Club membership* HK$'000	*Computer software* HK$'000	*Total* HK$'000
At cost					
At 1 January 2023	79,016	4,000	2,930	9,126	95,072
Additions	-	-	15,000	88	15,088
Exchange alignment	21	-	24	(63)	(18)
At 31 December 2023 and 1 January 2024	79,037	4,000	17,954	9,151	110,142
Disposal	-	-	(2,930)	-	(2,930)
Exchange alignment	(496)	-	(94)	(76)	(666)
At 31 December 2024	78,541	4,000	14,930	9,075	106,546
Accumulated amortisation and impairment					
At 1 January 2023	-	3,500	-	7,921	11,421
Charge for the year	-	-	-	584	584
Exchange alignment	-	-	-	(38)	(38)
At 31 December 2023 and 1 January 2024	-	3,500	-	8,467	11,967
Charge for the year	-	-	-	30	30
Exchange alignment	-	-	-	(57)	(57)
At 31 December 2024	-	3,500	-	8,440	11,940
Carrying amount					
At 31 December 2024	78,541	500	14,930	635	94,606
At 31 December 2023	79,037	500	17,954	684	98,175

22 Goodwill and other intangible assets (continued)

As at 31 December 2024, the Group had two (2023: two) trading rights in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and one (2023: one) trading right in the Hong Kong Futures Exchange Limited (the "Futures Exchange"), of which one trading rights in the Stock Exchange and one trading right in the Futures Exchange were fully amortised as at 31 December 2010. The Group has one (2023: two) club membership with indefinite useful life similar to the trading rights.

Trade name acquired in the acquisition of YF Life, which is subject to annual impairment test. The relief-from-royalty approach is adopted to determine the fair value of trade name. At the end of each reporting period, the management of the Group reassessed the assumptions of this approach. As at 31 December 2024, the valuation of the Chinese trade name is determined based on the relevant value of new business estimated by YF Life. The trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite.

23 Investments

		Underlying items			*Others*					
		Participating	*Unit-linked*							
								FV - hedging		
		FVTPL	*FVTPL*	*Sub-total*	*AC*	*FVOCI*	*FVTPL*	*instrument*	*Sub-total*	*Total*
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024										
Financial investments										
Debt securities	(b)	4,054,932	-	4,054,932	30,658,106	24,168,524	2,133,297	-	56,959,927	61,014,859
Loan and receivables	(b)	-	-	-	4,257,136	-	-	-	4,257,136	4,257,136
Unit trusts	(b)	2,917,418	5,663,017	8,580,435	-	-	604,343	-	604,343	9,184,778
Listed equity and other securities	(b)	-	-	-	-	-	722,216	-	722,216	722,216
Unlisted equity and other securities	(b)	591,031	-	591,031	-	-	2,725,315	-	2,725,315	3,316,346
		7,563,381	5,663,017	13,226,398	34,915,242	24,168,524	6,185,171	-	65,268,937	78,495,335
Derivative assets	(a)	1,508	-	1,508	-	-	128,732	-	128,732	130,240
		7,564,889	5,663,017	13,227,906	34,915,242	24,168,524	6,313,903	-	65,397,669	78,625,575
Derivative liabilities	(a)	3,265	-	3,265	-	-	323,235	320,792	644,027	647,292

23 Investments (continued)

		Underlying items			*Others*					
		Participating	*Unit-linked*							
	Note	*FVTPL* HK$'000	*FVTPL* HK$'000	*Sub-total* HK$'000	*AC* HK$'000	*FVOCI* HK$'000	*FVTPL* HK$'000	*FV - hedging instrument* HK$'000	*Sub-total* HK$'000	*Total* HK$'000
At 31 December 2023										
Financial investments										
Debt securities	(b)	1,079,028	-	1,079,028	27,845,905	25,758,601	2,298,705	-	55,903,211	56,982,239
Loan and receivables	(b)	-	-	-	4,940,090	-	-	-	4,940,090	4,940,090
Unit trusts	(b)	1,785,998	5,747,603	7,533,601	-	-	1,053,762	-	1,053,762	8,587,363
Listed equity and other securities	(b)	-	-	-	-	-	276,593	-	276,593	276,593
Unlisted equity and other securities	(b)	290,602	-	290,602	-	-	2,829,037	-	2,829,037	3,119,639
Listed equity securities	(c)	-	-	-	-	-	-	-	-	-
		3,155,628	5,747,603	8,903,231	32,785,995	25,758,601	6,458,097	-	65,002,693	73,905,924
Derivative assets	(a)	285	-	285	-	-	149,632	70,756	220,388	220,673
		3,155,913	5,747,603	8,903,516	32,785,995	25,758,601	6,607,729	70,756	65,223,081	74,126,597
Derivative liabilities	(a)	-	-	-	-	-	262,735	35,268	298,003	298,003

23 Investments (continued)

On 28 February 2018, the Group has entered a strategic fund management agreement with another well-established financial institution. By sharing the operating and financing decision making power through the agreement, the Group is no longer considered to be the principal of Majik Access USD Fund 2 LP. After the deconsolidation, the Group elects to measure its 34.04% investment holding in Majik Access USD Fund 2 LP held through a venture capital organisation, an indirect wholly-owned subsidiary, at fair value through profit or loss as management measures the performance of this jointly controlled entity on a fair value basis and considered to be exempted from applying the equity method. The valuation process and fair value information for the joint venture measured at fair value through profit or loss set out in Note 4. As of 31 December 2024, the carrying value of the jointly controlled entity amounted to HK$106 million (31 December 2023: HK$115 million).

At 31 December 2024, the Group's listed equity securities of approximately HK$381,305,000 (2023: Nil) have been pledged to a broker for securities margin trading. Certain fund and other investments of HK$20,188,874,000 (2023: HK$18,717,825,000) have been pledged in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

Notes:

(a) Derivatives

The Group uses derivatives to provide economic hedges as part of its assets and liabilities management activities. The following table analyses the Group's derivatives by type of instrument.

	2024		*2023*	
	Assets HK$'000	*Liabilities* HK$'000	*Assets* HK$'000	*Liabilities* HK$'000
Underlying items				
Not designated as hedging instruments				
Forward contracts	1,508	-	285	-
	1,508	-	285	-
Others				
Designated as hedging instruments in net investment hedges				
Bond forward	-	320,792	70,756	35,269
Not designated as hedging instruments				
Currency swaps	121,966	18,353	147,924	15,416
Forward contracts	6,766	3,039	1,708	6,178
Collateral	-	83,598	-	184,126
Short position in listed equity	-	221,510	-	57,014
	128,732	647,292	220,388	298,003
	130,240	647,292	220,673	298,003

For more information about how the Group manages its market risks, see Note 4(d).

23 Investments (continued)

(b) Financial assets designated as at FVTPL

Certain debt investments have been designated as at FVTPL (see Note 2(j)). At 31 December 2024, the maximum exposure to credit risk of these financial assets was their carrying amount of HK$3,386,044,000 (2023: HK$295,980,000). The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

(c) Equity investments designated as at FVOCI

The Group has designated equity investments as at FVOCI because it intends to hold them for the long term in order to match with the long duration of insurance contracts measured under the general measurement model ("GMM"). Dividend income of HK$Nil was received on these investments during the year (2023: HK$88,000).

	Fair value at 31 December		*Dividend income recognised*	
	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000
Equity securities:				
- Listed in Hong Kong	-	-	-	88

During the year ended 31 December 2024, no equity investments designated at FVOCI were disposed (2023: several US and Hong Kong equity investments designated at FVOCI were considered to be no longer aligned with the investment strategy since purchase and were disposed at HK$79,360,000 with realised loss of HK$20,787,000).

(d) Interests in collective investment schemes

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

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

23 Investments (continued)

(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$30,336,000 (2023: HK$40,282,000) for the year.

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

24 Other accounts receivable and accrued income

	2024 HK$'000	*2023* HK$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	157,211	42,391
- Margin clients	5,814	27,016
- Clearing house, brokers, fund managers and dealers	65,535	41,313
	228,560	110,720
Other service fees receivables	5,092	6,378
	233,652	117,098
Less: allowance for credit losses	(4,080)	(3,938)
	229,572	113,160

The fair value of other accounts receivable approximates its carrying amount.

24 Other accounts receivable and accrued income (continued)

(a) Ageing analysis of other accounts receivable

The ageing analysis of other accounts receivable net of allowance for credit losses as of the end of the reporting period is as follows:

	2024 HK$'000	*2023* HK$'000
Current	229,452	112,690
Less than 1 month past due	-	66
1 to 3 months past due	-	21
More than 3 months past due	120	383
Amounts past due	120	470
	229,572	113,160

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's creditworthiness.

(b) Other accounts receivable which are past due but not impaired

Included in the Group's other accounts receivable balance are debtors with an aggregate carrying amount of HK$120,000 (2023: HK$470,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

As of 31 December 2024 and 2023, no amount due from cash clients which are past due but not impaired represented client trades which are unsettled beyond the settlement date.

There are no other accounts receivable from corporate clients (2023: Nil) and amount of HK$120,000 of other fee receivable (2023: HK$470,000) which are past due but not impaired. These represent other accounts receivable arising from provision of other financial services which have not yet been settled and aged by their invoice date. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation.

24 Other accounts receivable and accrued income (continued)

(c) Impairment of other accounts receivable

The Group has a policy for allowance for credit losses which is based on the evaluation of collectability, ageing analysis of accounts and management's judgement including the creditworthiness, collaterals and the past collection history of each client.

The movement of the allowance for life time credit impaired losses during the year is as follows:

	2024	*2023*
	HK$'000	HK$'000
At 1 January	3,938	2,029
Provision for impairment loss recognised	326	1,977
Amount recovered during the year	-	(10)
Written off	(184)	(58)
At 31 December	4,080	3,938

Amount of HK$1,166,000 (2023: HK$1,024,000) relates to credit impaired other accounts receivable arising from the business of dealing in securities. HK$2,914,000 (2023: HK$2,914,000) relates to credit impaired other service fees receivables.

(d) Balance with related parties

At 31 December 2024, the balance of other service fee receivables includes fund management fee of approximately HK$1,647,000 (2023: HK$1,592,000) due from a joint venture of the Group.

25 Other receivables, deposits and prepayment

	Note	*2024* HK$'000	*2023* HK$'000
Utility and rental deposits	(i)	42,466	43,464
Loans to agents and staff		68,572	68,758
Accrued investment income		1,087,384	745,860
Prepayment, other deposits and receivables		433,429	131,407
Other receivable from non-controlling shareholders of a subsidiary		6,643	6,643
		1,638,494	996,132
Less: allowance for credit losses	(ii)	(22,587)	(8,416)
		1,615,907	987,716

Notes:

(i) The amount of utility and rental deposits expected to be recovered after more than one year is HK$41,227,000 (2023: HK$39,312,000).

(ii) Impairment of other receivables

Other receivable of HK$22,587,000 (2023: HK$8,416,000) is fully impaired as the recoverability of the balance is considered uncertain after credit assessment performed by management.

The movement of the allowance for credit losses during the year is as follows:

	2024 HK$'000	*2023* HK$'000
At 1 January	8,416	8,423
Provision for/(reversal of) impairment loss recognised	14,172	(6)
Amount written off	-	-
Exchange alignment	(1)	(1)
At 31 December	22,587	8,416

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

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

	Note	*2024* HK$'000	*2023* HK$'000
Bank balance - trust and segregated accounts			
Deposit with bank		292,928	295,320
Less: impairment allowance	(iii)	(154)	(154)
	(i)	292,774	295,166
Fixed bank deposits with original maturity over 3 months			
Deposit with bank		1,229,988	1,259,134
Less: impairment allowance	(iii)	-	-
		1,229,988	1,259,134
Cash and cash equivalents			
Deposit with bank	(ii)	22,415	26,655
Fixed bank deposits with original maturity less than 3 months		1,599,910	2,633,265
Cash at bank and in hand		2,751,118	1,313,982
Less: impairment allowance	(iii)	(114)	(114)
Cash and cash equivalents in the statement of financial position		4,373,329	3,973,788

26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (continued)

Notes:

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

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

(iii) During the year, the movement of 12-month ECL provision is as follows:

	2024 HK$'000	*2023* HK$'000
At 1 January	268	268
Reversal of impairment loss recognised	-	-
Amount written off	-	-
At 31 December	268	268

(iv) The Group has pledged fixed deposits of HK$965,904,000 (2023: HK$907,291,000) to banks in favour of the Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (continued)

(a) Reconciliation to liabilities arising from financing activities for disclosure purpose

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

	Policyholders' deposit HK$'000	*Bank borrowings* HK$'000	*Preference shares* HK$'000	*Lease liabilities* HK$'000	*Shareholder's loan* HK$'000	*Total* HK$'000
At 31 December 2022 and 1 January 2023	4,793,878	1,393,166	105,175	233,066	1,641,077	8,166,362
Change from financing cash flow:						
Payment made to lease liabilities	-	-	-	(135,272)	-	(135,272)
Policyholders' account deposits	183,421	-	-	-	-	183,421
Policyholders' account withdrawals	(403,908)	-	-	-	-	(403,908)
Redemption of preference shares	-	-	(3,436)	-	-	(3,436)
Drawdown of bank loans	-	-	-	-	-	-
Repayment of a bank loan	-	-	-	-	-	-
Interest and other borrowing cost paid	-	(92,257)	-	-	-	(92,257)
Total change in financing cash flows	(220,487)	(92,257)	(3,436)	(135,272)	-	(451,452)
Net change in lease obligation	-	-	-	107,764	-	107,764
Finance charge and effective interest expenses	-	98,570	-	6,800	84,551	189,921
Fair value change	-	-	134	-	-	134
Interest credited to policyholders' account balances	179,054	-	-	-	-	179,054
Cost of insurance charges	-	-	-	-	-	-
Administrative fees	(32,571)	-	-	-	-	(32,571)
Other reserve changes	(19,311)	-	-	-	-	(19,311)
Other income	10,869	-	-	-	-	10,869
Transfer to the other payables and accruals	-	-	-	-	(84,551)	(84,551)
Exchange alignment	(417)	-	-	(118)	-	(535)
At 31 December 2023	4,711,015	1,399,479	101,873	212,240	1,641,077	8,065,684

26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (continued)

	Policyholders' deposit HK$'000	*Bank borrowings* HK$'000	*Preference shares* HK$'000	*Lease liabilities* HK$'000	*Shareholder's loan* HK$'000	*Total* HK$'000
At 31 December 2023 and 1 January 2024	4,711,015	1,399,479	101,873	212,240	1,641,077	8,065,684
Change from financing cash flow:						
Payment made to lease liabilities	-	-	-	(131,478)	-	(131,478)
Policyholders' account deposits	172,153	-	-	-	-	172,153
Policyholders' account withdrawals	(347,622)	-	-	-	-	(347,622)
Redemption of preference shares	-	-	(91,355)	-	-	(91,355)
Drawdown of bank loans	-	1,400,000	-	-	-	1,400,000
Repayment of a bank loan	-	(1,400,000)	-	-	-	(1,400,000)
Interest and other borrowing cost paid	-	(110,882)	-	-	-	(110,882)
Total change in financing cash flows	(175,469)	(110,882)	(91,355)	(131,478)	-	(509,184)
Net change in lease obligation	-	-	-	87,291	-	87,291
Finance charge and effective interest expenses	-	96,062	-	6,111	112,298	214,471
Fair value change	-	-	(121)	-	-	(121)
Interest credited to policyholders' account balances	182,839	-	-	-	-	182,839
Cost of insurance charges	-	-	-	-	-	-
Administrative fees	(27,747)	-	-	-	-	(27,747)
Other reserve changes	(9,544)	-	-	-	-	(9,544)
Other income	7,374	-	-	-	-	7,374
Transfer to the other payables and accruals	-	-	-	-	(112,298)	(112,298)
Exchange alignment	(3,923)	-	-	(53)	-	(3,976)
At 31 December 2024	4,684,545	1,384,659	10,397	174,111	1,641,077	7,894,789

26 Cash and cash equivalents, fixed bank deposits with original maturity over 3 months and bank balances - trust and segregated accounts (continued)

(b) Bank balance - trust and segregated accounts

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business of the regulated activities. The Group has classified the "bank balance - trust and segregated accounts" under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2024, client money maintained in segregated accounts amounted to HK$292,774,000 (2023: HK$295,166,000).

27 Insurance and reinsurance contracts

	Note	*2024* HK$'000	*2023* HK$'000
Insurance contracts			
Insurance contract liabilities			
- Insurance contract balances	*27(a)(i)*	69,620,984	63,579,853
- Assets for insurance acquisition cash flows	*27(b)*	(3,056)	(2,409)
		69,617,928	63,577,444
Reinsurance contracts			
Reinsurance contract assets	*27(a)(ii)*	(6,790,716)	(6,517,666)

(a) Movements in insurance and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the consolidated statement of profit or loss and other comprehensive income. The group presents a table separately analysing movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of profit or loss and other comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Group's maximum exposure to credit risk from these assets.

27 Insurance and reinsurance contracts (continued)

(i) Insurance contracts

Analysis by remaining coverage and incurred claims

		2024						*2023*					
		Liabilities for remaining coverage		*Liabilities for incurred claims*				*Liabilities for remaining coverage*		*Liabilities for incurred claims*			
					Contracts under PAA						*Contracts under PAA*		
	Note	*Excluding loss component* HK$'000	*Loss component* HK$'000	*Contracts not under PAA* HK$'000	*Estimates of present value of future cash flows* HK$'000	*Risk adjustment for non-financial risk* HK$'000	*Total* HK$'000	*Excluding loss component* HK$'000	*Loss component* HK$'000	*Contracts not under PAA* HK$'000	*Estimates of present value of future cash flows* HK$'000	*Risk adjustment for non-financial risk* HK$'000	*Total* HK$'000
Balance as at 1 January													
Opening assets		-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities		62,642,953	373,288	531,574	31,453	585	63,579,853	54,088,415	544,472	405,635	16,578	520	55,055,620
Net opening balance		62,642,953	373,288	531,574	31,453	585	63,579,853	54,088,415	544,472	405,635	16,578	520	55,055,620
Changes in the statement of profit or loss and OCI:													
Insurance revenue													
Contracts under the fair value transition approach		(1,902,199)	-	-	-	-	(1,902,199)	(1,916,535)	-	-	-	-	(1,916,535)
Other contracts		(897,002)	-	-	-	-	(897,002)	(708,850)	-	-	-	-	(708,850)
Other contracts		(2,799,201)	-	-	-	-	(2,799,201)	(2,625,385)	-	-	-	-	(2,625,385)
Insurance service expenses													
Incurred claims and other insurance service expenses		-	(137,139)	997,543	246,231	47	1,106,682	-	(128,465)	1,051,024	241,693	64	1,164,316
Amortisation of insurance acquisition cash flows		869,057	-	-	-	-	869,057	810,973	-	-	-	-	810,973
Losses and reversals of losses on onerous contracts		-	14,045	-	-	-	14,045	-	(50,019)	-	-	-	(50,019)
Adjustments to liabilities for incurred claims		-	-	100,076	18,381	-	118,457	-	-	110,792	17,946	-	128,738
		869,057	(123,094)	1,097,619	264,612	47	2,108,241	810,973	(178,484)	1,161,816	259,639	64	2,054,008
Investment components and premium refunds		(4,978,998)	-	4,978,998	-	-	-	(2,865,097)	-	2,865,152	(55)	-	-
Insurance service result		(6,909,142)	(123,094)	6,076,617	264,612	47	(690,960)	(4,679,509)	(178,484)	4,026,968	259,584	64	(571,377)
Net finance expenses from insurance contracts		3,139,459	6,234	802	118	-	3,146,613	4,326,917	8,248	1,483	(42)	-	4,336,606
Effect of movements in exchange rates		(425,251)	(817)	(388)	(120)	(4)	(426,580)	84,456	(948)	(837)	31	1	82,703
Total changes in statement of profit or loss and OCI		(4,194,934)	(117,677)	6,077,031	264,610	43	2,029,073	(268,136)	(171,184)	4,027,614	259,573	65	3,847,932
Cash flows													
Premiums received		12,380,822	-	-	-	-	12,380,822	11,844,540	-	-	-	-	11,844,540
Claims and other insurance service expenses paid, including investment components		-	-	1,294,168	-	-	1,294,168	-	-	(3,820,176)	(244,698)	-	(4,064,874)
Insurance acquisition cash flows		-	-	(7,261,295)	(260,906)	-	(7,522,201)	(3,021,866)	-	-	-	-	(3,021,866)
Other amounts received/(paid)		(2,140,731)	-	-	-	-	(2,140,731)	-	-	(81,499)	-	-	(81,499)
Total cash flows		10,240,091	-	(5,967,127)	(260,906)	-	4,012,058	8,822,674	-	(3,901,675)	(244,698)	-	4,676,301
Net closing balance as at 31 December		68,688,110	255,611	641,478	35,157	628	69,620,984	62,642,953	373,288	531,574	31,453	585	63,579,853
Closing assets		-	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities		68,688,110	255,611	641,478	35,157	628	69,620,984	62,642,953	373,288	531,574	31,453	585	63,579,853
Net closing balance as at 31 December		68,688,110	255,611	641,478	35,157	628	69,620,984	62,642,953	373,288	531,574	31,453	585	63,579,853

27 Insurance and reinsurance contracts (continued)

Analysis by measurement component

		2024					*2023*				
				CSM					*CSM*		
	Note	*Estimates of present value of future cash flows* HK$'000	*Risk adjustment for non-financial risk* HK$'000	*Contracts under fair value transition approach* HK$'000	*Other contracts* HK$'000	*Total* HK$'000	*Estimates of present value of future cash flows* HK$'000	*Risk adjustment for non-financial risk* HK$'000	*Contracts under fair value transition approach* HK$'000	*Other contracts* HK$'000	*Total* HK$'000
Balance as at 1 January											
Opening assets		-	-	-	-	-	-	-	-	-	-
Opening liabilities		53,686,315	1,688,580	6,193,932	1,905,829	63,474,656	44,883,107	1,484,856	7,705,480	930,068	55,003,511
Net opening balance		53,686,315	1,688,580	6,193,932	1,905,829	63,474,656	44,883,107	1,484,856	7,705,480	930,068	55,003,511
Changes in the statement of profit or loss and OCI:											
Change that relate to current services											
CSM recognised for service provided		-	-	(554,046)	(137,049)	(691,095)	-	-	(591,050)	(121,088)	(712,138)
Change in risk adjustment for non-financial risk or risk expired		-	30,422	-	-	30,422	-	21,732	-	-	21,732
Experience adjustments		(103,899)	-	-	-	(103,899)	56,616	-	-	-	56,616
Change that relate to future services											
Contracts initially recognised in the period		(836,088)	92,482	-	765,773	22,167	(1,096,726)	112,285	-	1,041,668	57,227
Changes in estimates that adjust the CSM		(427,609)	(362,237)	1,209,241	(419,395)	-	926,338	50,021	(989,921)	13,562	-
Changes in estimates that result in losses and reversals of losses on onerous contracts		(26,165)	18,043	-	-	(8,122)	(49,672)	15,691	(73,261)	-	(107,242)
Changes that relate to past services											
Adjustments to liabilities for incurred claims		100,079	-	-	-	100,079	110,793	-	-	-	110,793
Adjustments to liabilities for remaining coverage		(9,947)	-	-	-	(9,947)	(6,600)	-	-	-	(6,600)
Insurance service result		(1,303,629)	(221,290)	655,195	209,329	(660,395)	(59,251)	199,729	(1,654,232)	934,142	(579,612)
Net finance expenses from insurance contracts		2,927,955	-	171,928	46,317	3,146,200	4,162,577	514	130,678	42,989	4,336,758
Effect of movements in exchange rates		(355,600)	(10,525)	(45,609)	(14,422)	(426,156)	68,437	3,481	12,006	(1,370)	82,554
Total changes in statement of profit or loss and OCI		1,268,726	(231,815)	781,514	241,224	2,059,649	4,171,763	203,724	(1,511,548)	975,761	3,839,700
Cash flows											
Premiums received		12,022,383	-	-	-	12,022,383	11,484,952	-	-	-	11,484,952
Claims and other insurance service expenses paid, including investment components		1,294,168	-	-	-	1,294,168	(3,820,176)	-	-	-	(3,820,176)
Insurance acquisition cash flows		(7,261,295)	-	-	-	(7,261,295)	(2,951,832)	-	-	-	(2,951,832)
Oher amounts received/(paid)		(2,082,440)	-	-	-	(2,082,440)	(81,499)	-	-	-	(81,499)
Total cash flows		3,972,816	-	-	-	3,972,816	4,631,445	-	-	-	4,631,445
Net closing balance as at 31 December		58,927,857	1,456,765	6,975,446	2,147,053	69,507,121	53,686,315	1,688,580	6,193,932	1,905,829	63,474,656
Closing assets		-	-	-	-	-	-	-	-	-	-
Closing liabilities		58,927,857	1,456,765	6,975,446	2,147,053	69,507,121	53,686,315	1,688,580	6,193,932	1,905,829	63,474,656
Net closing balance as at 31 December		58,927,857	1,456,765	6,975,446	2,147,053	69,507,121	53,686,315	1,688,580	6,193,932	1,905,829	63,474,656

27 Insurance and reinsurance contracts (continued)

(ii) Reinsurance contracts

Analysis by remaining coverage and incurred claims

		2024					2023				
		Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Note	Excluding loss-recovery component HK$'000	Loss-recovery component HK$'000	Contracts not under PAA HK$'000	Contracts under PAA HK$'000	Total HK$'000	Excluding loss-recovery component HK$'000	Loss-recovery component HK$'000	Contracts not under PAA HK$'000	Contracts under PAA HK$'000	Total HK$'000
Balance as at 1 January											
Opening assets		5,747,748	181,667	563,114	25,137	6,517,666	5,563,922	336,587	518,183	13,478	6,432,170
Opening liabilities		-	-	-	-	-	-	-	-	-	-
Net opening balance		5,747,748	181,667	563,114	25,137	6,517,666	5,563,922	336,587	518,183	13,478	6,432,170
Changes in the statement of profit or loss and OCI:											
Allocation of reinsurance premium paid		(214,460)	-	-	-	(214,460)	(240,366)	-	-	-	(240,366)
Amounts recoverable from reinsurers											
Recoveries of incurred claims and other insurance service expenses		-	(101,120)	161,803	11,016	71,699	-	(163,379)	324,924	13,474	175,019
Recoveries and reversals of recoveries of losses on onerous underlying contracts		-	(5,809)	-	-	(5,809)	-	3,969	-	-	3,969
Adjustments to assets for incurred claims		-	-	79,741	4,624	84,365	-	-	27,171	2,579	29,750
		-	(106,929)	241,544	15,640	150,255	-	(159,410)	352,095	16,053	208,738
Investment components and premium refunds		(1,437,930)	-	1,437,626	304	-	(1,707,039)	-	1,706,962	77	-
Effect of changes in non-performance risk of reinsurers		4,836	-	-	-	4,836	5,371	-	-	-	5,371
Net expenses from reinsurance contracts		(1,647,554)	(106,929)	1,679,170	15,944	(59,369)	(1,942,034)	(159,410)	2,059,057	16,130	(26,257)
Net finance incomes from reinsurance contracts		423,136	4,253	411	18	427,818	190,665	3,741	1,858	15	196,279
Effect of movements in exchange rates		(46,126)	(466)	(1,677)	(20)	(48,289)	11,539	749	(3,372)	(18)	8,898
Total changes in statement of profit or loss and OCI		(1,270,544)	(103,142)	1,677,904	15,942	320,160	(1,739,830)	(154,920)	2,057,543	16,127	178,920
Cash flows											
Premiums paid		1,816,282	-	-	-	1,816,282	1,919,615	-	746	-	1,920,361
Amounts received		-	-	(2,613,452)	(2,506)	(2,615,958)	-	-	(1,032,081)	(4,468)	(1,036,549)
Other amounts received		(28,473)	-	781,039	-	752,566	4,041	-	(981,277)	-	(977,236)
Total cash flows		1,787,809	-	(1,832,413)	(2,506)	(47,110)	1,923,656	-	(2,012,612)	(4,468)	(93,424)
Net closing balance as at 31 December		6,265,013	78,525	408,605	38,573	6,790,716	5,747,748	181,667	563,114	25,137	6,517,666
Closing assets		6,265,013	78,525	408,605	38,573	6,790,716	5,747,748	181,667	563,114	25,137	6,517,666
Closing liabilities		-	-	-	-	-	-	-	-	-	-
Net closing balance as at 31 December		6,265,013	78,525	408,605	38,573	6,790,716	5,747,748	181,667	563,114	25,137	6,517,666

27 Insurance and reinsurance contracts (continued)

Analysis by measurement component

	Note	2024					2023				
				CSM					CSM		
		Estimates of present value of future cash flows	*Risk adjustment for non-financial risk*	*Contracts under fair value transition approach*	*Other contracts*	*Total*	*Estimates of present value of future cash flows*	*Risk adjustment for non-financial risk*	*Contracts under fair value transition approach*	*Other contracts*	*Total*
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January											
Opening assets		5,499,772	119,479	862,596	13,572	6,495,419	5,012,071	80,045	1,300,861	31,127	6,424,104
Opening liabilities		-	-	-	-	-	-	-	-	-	-
Net opening balance		5,499,772	119,479	862,596	13,572	6,495,419	5,012,071	80,045	1,300,861	31,127	6,424,104
Changes in the statement of profit or loss and OCI:											
Change that relate to current services											
CSM recognised for service received		-	-	(20,759)	(8,429)	(29,188)	-	-	(82,922)	(8,421)	(91,343)
Change in risk adjustment for non-financial risk or risk expired		-	994	-	-	994	-	497	-	-	497
Experience adjustments		(118,665)	-	-	-	(118,665)	18,581	-	-	-	18,581
Change that relate to future services											
Contracts initially recognised in the period		(36,459)	8,634	-	33,798	5,973	(16,515)	7,327	-	10,713	1,525
Changes in estimates that adjust the CSM		(53,685)	36,542	(8,151)	25,294	-	361,092	31,051	(371,650)	(20,493)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		(11,910)	128	-	-	(11,782)	2,413	31	-	-	2,444
Changes that relate to past services											
Adjustments to assets for incurred claims		79,741	-	-	-	79,741	27,171	-	-	-	27,171
Effect of changes in non-performance risk of reinsurance		4,836	-	-	-	4,836	5,371	-	-	-	5,371
Net expenses from reinsurance contracts		(136,142)	46,298	(28,910)	50,663	(68,091)	398,113	38,906	(454,572)	(18,201)	(35,754)
Net finance expenses from reinsurance contracts		412,088	-	15,095	638	427,821	180,728	39	14,849	634	196,250
Effect of movements in exchange rates		(37,552)	(797)	(7,761)	(2,184)	(48,294)	6,971	489	1,458	12	8,930
Total changes in statement of profit or loss and OCI		238,394	45,501	(21,576)	49,117	311,436	585,812	39,434	(438,265)	(17,555)	169,426
Cash flows											
Premiums paid		1,809,422	-	-	-	1,809,422	1,911,206	-	-	-	1,911,206
Amounts received		(2,613,452)	-	-	-	(2,613,452)	(1,032,081)	-	-	-	(1,032,081)
Other amounts received		752,566	-	-	-	752,566	(977,236)	-	-	-	(977,236)
Total cash flows		(51,464)	-	-	-	(51,464)	(98,111)	-	-	-	(98,111)
Net closing balance as at 31 December		5,686,702	164,980	841,020	62,689	6,755,391	5,499,772	119,479	862,596	13,572	6,495,419
Closing assets		5,686,702	164,980	841,020	62,689	6,755,391	5,499,772	119,479	862,596	13,572	6,495,419
Closing liabilities		-	-	-	-	-	-	-	-	-	-
Net closing balance as at 31 December		5,686,702	164,980	841,020	62,689	6,755,391	5,499,772	119,479	862,596	13,572	6,495,419

27 Insurance and reinsurance contracts (continued)

(b) Assets for insurance acquisition cash flows

The following table shows the reconciliation from the opening to the closing balance for assets for insurance acquisition cash flows.

	2024 HK$'000	*2023* HK$'000
Balance as at 1 January	2,409	1,411
Amounts incurred during the year	2,153,260	2,879,971
Amounts derecognised and included in the measurement of insurance contracts	(2,152,613)	(2,878,973)
Impairment losses and reversals	-	-
Effect of movements in exchange rates	-	-
Balance as at 31 December	3,056	2,409

The following table sets out when the Group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

	As at 31 December 2024 HK$'000	*As at 31 December 2023* HK$'000
Less than one year	220	115
Two to five years	647	557
Five to 10 years	644	513
More than 10 years	1,545	1,224
	3,056	2,409

27 Insurance and reinsurance contracts (continued)

(c) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA during the period.

(i) Insurance contracts

	Profitable contracts issued HK$'000	*Onerous contracts issued* HK$'000	*Total* HK$'000
Year ended 31 December 2024			
Claims and other insurance service expense payable	7,178,588	1,130,042	8,308,630
Insurance acquisition cash flows	1,916,086	179,404	2,095,490
Estimate of present value of cash outflows	9,094,674	1,309,446	10,404,120
Estimates of present value of cash inflows	(9,944,835)	(1,295,373)	(11,240,208)
Risk adjustment for non-financial risk	84,388	8,094	92,482
CSM	765,773	-	765,773
Losses recognised on initial recognition	-	22,167	22,167
Year ended 31 December 2023			
Claims and other insurance service expense payable	7,964,135	1,670,474	9,634,609
Insurance acquisition cash flows	2,568,478	551,604	3,120,082
Estimate of present value of cash outflows	10,532,613	2,222,078	12,754,691
Estimates of present value of cash inflows	(11,671,569)	(2,179,848)	(13,851,417)
Risk adjustment for non-financial risk	97,288	14,997	112,285
CSM	1,041,668	-	1,041,668
Losses recognised on initial recognition	-	57,227	57,227

27 Insurance and reinsurance contracts (continued)

(ii) Reinsurance contracts

	Reinsurance contracts held HK$'000
Balance as at 31 December 2024	
Estimate of present value of cash inflows	2,552,711
Estimates of present value of cash outflows	(2,589,170)
Risk adjustment for non-financial risk	8,634
Income recognised on initial recognition	(5,973)
CSM	(33,798)
Balance as at 31 December 2023	
Estimate of present value of cash inflows	652,086
Estimates of present value of cash outflows	(668,601)
Risk adjustment for non-financial risk	7,327
Income recognised on initial recognition	(1,525)
CSM	(10,713)

27 Insurance and reinsurance contracts (continued)

(d) Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

	31 December 2024				
	1 year or less HK$'000	*2 to 5 years* HK$'000	*5 to 10 years* HK$'000	*More than 10 years* HK$'000	*Total* HK$'000
Insurance contracts	741,816	2,437,909	2,023,750	3,919,024	9,122,499
Reinsurance contracts	(62,789)	(290,412)	(221,209)	(329,299)	(903,709)

	31 December 2023				
	1 year or less HK$'000	*2 to 5 years* HK$'000	*5 to 10 years* HK$'000	*More than 10 years* HK$'000	*Total* HK$'000
Insurance contracts	683,853	2,228,971	1,841,387	3,345,550	8,099,761
Reinsurance contracts	(41,789)	(300,922)	(243,075)	(290,382)	(876,168)

(e) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

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

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

27 Insurance and reinsurance contracts (continued)

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.

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.

27 Insurance and reinsurance contracts (continued)

Methodology and assumptions

(1) Mortality

Prudent mortality tables and industry mortality tables with margins are used. They are compared with the Group's internal mortality experience on a regular basis to ensure their appropriateness.

(2) Morbidity

Morbidity is based on the reinsurer's risk premiums which are relevant to its market experience. It is compared with the Group's internal morbidity experience on a regular basis to ensure its appropriateness.

(3) Withdrawal

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

(4) Discount rates

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

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

As at 31 December 2024	*1 year*	*5 years*	*10 years*	*15 years*	*20 years*
USD	4.11% - 4.85%	4.34% - 5.08%	4.55% - 5.29%	4.77% - 5.51%	4.90% - 5.64%
HKD	3.88% - 4.62%	3.60% - 4.34%	3.65% - 4.39%	3.72% - 4.46%	3.75% - 4.49%

As at 31 December 2023	*1 year*	*5 years*	*10 years*	*15 years*	*20 years*
USD	4.70% - 5.54%	3.79% - 4.63%	3.83% - 4.67%	3.93% - 4.78%	4.27% - 5.11%
HKD	4.28% - 5.12%	3.27% - 4.11%	3.29% - 4.13%	3.41% - 4.25%	3.47% - 4.31%

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

27 Insurance and reinsurance contracts (continued)

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.

(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.

27 Insurance and reinsurance contracts (continued)

- considers the cash flows included in the measurement of fulfilment cash flows but adjusts them to reflect the perspective of market participants. For example, expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear; and

- includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts.

(v) Underlying items of contracts with direct participating features

See Note 23 for the composition and the fair value of underlying items of the Group's participating contracts at the reporting date.

28 Investment contract

	Note	*2024* HK$'000	*2023* HK$'000
Policyholders' deposits	(i)	4,467,914	4,505,381
Future policyholders' benefits	(ii)	89,846	82,834
Unearned revenue liability	(iii)	192,889	186,632
		4,750,649	4,774,847
Other contract asset	(v)	134,763	123,249

28 Investment contract (continued)

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2024 HK$'000	*2023* HK$'000
At 1 January	4,505,381	4,609,597
Contributions received during the year	100,685	120,512
Net fee and charges deducted from account balances (Note 8)	(21,044)	(26,209)
Interest credited to account balances	182,839	179,054
Redemptions due for payment in current year	(287,507)	(351,336)
Others movements	(8,517)	(25,820)
Exchange alignment	(3,923)	(417)
At 31 December	4,467,914	4,505,381

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2024 HK$'000	*2023* HK$'000
At 1 January	82,834	70,968
Movement during the year	7,086	11,863
Exchange alignment	(74)	3
At 31 December	89,846	82,834

28 Investment contract (continued)

(iii) Unearned revenue liability

Analysis of movement in unearned revenue liability:

	2024 HK$'000	*2023* HK$'000
At 1 January	186,632	167,016
Amount deferred	18,626	23,297
Amortisation for the year	(4,111)	(3,679)
	14,515	19,618
Effect to fair value reserve	-	-
Exchange alignment	(8,258)	(2)
At 31 December	192,889	186,632

(iv) The amount of investment contract liabilities expected to be settled after more than one year is HK$4,508,092,000 (2023: HK$4,534,789,000).

(v) Other contract asset

	2024 HK$'000	*2023* HK$'000
At 1 January	123,249	109,530
Amount deferred	15,463	16,751
Amortisation and other movements	(3,261)	(3,062)
Exchange alignment	(688)	30
At 31 December	134,763	123,249

29 Other accounts payable

	2024 HK$'000	*2023* HK$'000
Accounts payable		
- Cash and margin clients	500,033	361,581
- Clearing house, fund managers, brokers and dealers	2,808	23,982
	502,841	385,563

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$299,363,000 (2023: HK$295,363,000).

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

Balance with related parties

At 31 December 2024, accounts payable of approximately HK$413,000 (2023: HK$70,000) and HK$1,000 (2023: HK$909,000) to certain key management personnel of the Company and companies controlled by key management personnel of the Company respectively on normal terms of brokerage and wealth management business of the Group.

30 Other payables and accrued expenses

	Note	*2024* HK$'000	*2023* HK$'000
Accrued staff costs		14,248	28,684
Other contract provisions	(i)	230,224	219,511
Other payables and accruals		979,963	643,419
		1,224,435	891,614

Note:

(i) Other contract provisions represented policyholders' deposits of HK$216,631,000 (2023: HK$205,634,000) and future policyholders' benefits of HK$13,593,000 (2023: HK$13,877,000) relating to other business.

All of the other payables and accrued expenses are expected to be settled within one year.

30 Other payables and accrued expenses (continued)

Balance with related parties

1) At 31 December 2024, accounts payable of approximately HK$43,050,000 (2023: HK$39,411,000) are payable to MassMutual International LLC ("MMI") who is a substantial shareholder of the Company and its affiliates.

2) At 31 December 2024, interest accrual of approximately HK$366,990,000 (2023: HK$254,692,000) is due to Key Imagination Limited ("KIL") who is the controlling shareholder of the Company.

31 Income tax in the statement of financial position

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

	2024 HK$'000	*2023* HK$'000
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	68,773	58,543
Provisional Profits Tax paid	(44,131)	(46,099)
	24,642	12,444
Balance of Profits Tax provision relating to prior years	(21)	(86)
	24,621	12,358
Macao Complementary Tax		
Balance of Macao Complementary Tax provision for the year	7,838	54,928
Balance of Profits Tax provision relating to prior years	612	259
	8,450	55,187
Overseas Tax		
Balance of overseas provision for the year	(39)	(45)
	33,032	67,500
Amount of tax payable expected to be settled within one year	33,071	67,545
Amount of taxation recoverable expected to be settled within one year	39	45

31 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Fair value adjustment to assets and liabilities related to acquisition of subsidiaries HK$'000	*Different reporting basis in foreign jurisdiction* HK$'000	*Accelerated tax depreciation* HK$'000	*Fair value adjustment on investment at fair value through profit and loss* HK$'000	*Fair value adjustment on investment at fair value through other comprehensive income* HK$'000	*Expected credit loss incurred* HK$'000	*Total* HK$'000
Deferred tax liabilities/ (assets) arising from:							
At 1 January 2023	45,851	303,151	(43)	(35)	(37,932)	(4,235)	306,757
Credited to profit or loss (Note 12(a))	-	4,286	34	45	-	(3,131)	1,234
Credited to other comprehensive income (Note 12(b))	-	(77,209)	-	-	(25,604)	-	(102,813)
Exchange alignment	-	-	1	(10)	-	-	(9)
At 31 December 2023	45,851	230,228	(8)	-	(63,536)	(7,366)	205,169
At 1 January 2024	45,851	230,228	(8)	-	(63,536)	(7,366)	205,169
Credited to profit or loss (Note 12(a))	-	53,395	(3)	-	-	3,206	56,598
Credited to other comprehensive income (Note 12(b))	-	(29,589)	-	-	(28,232)	-	(57,821)
Exchange alignment	-	-	(1)	-	-	-	(1)
At 31 December 2024	45,851	254,034	(12)	-	(91,768)	(4,160)	203,945

At 31 December 2024, no deferred tax asset has been recognised in respect of the tax losses of HK$1,846 million (2023: HK$1,770 million) to the extent that it is not probable that future taxable profit against which the losses can be utilised will be available subject to the approval of respective tax authorities in the relevant tax jurisdiction. The tax losses amounting to HK$1,846 million (2023: HK$1,770 million) do not expire under current tax legislation.

(ii) Reconciliation to the consolidated statement of financial position

	2024 HK$'000	*2023* HK$'000
Net deferred tax asset in the consolidated statement of financial position	95,940	70,910
Net deferred tax liability in the consolidated statement of financial position	(299,885)	(276,079)
	(203,945)	(205,169)

32 Financial liabilities at fair value through profit or loss

	2024	*2023*
	HK$'000	HK$'000
Designated at fair value through profit or loss		
Preference share liability *(Note 1)*	10,397	101,873
Third-party interests in consolidated funds *(Note 2)*	61,122	118,488
Derivatives	647,292	298,003
	718,811	518,364

Notes:

(1) By 31 December 2024, total number of preference shares issued was approximately 13,383 shares (2023: 130,414 shares) under the agreement. The subsidiary is obliged to redeem all issued preference shares in 5 years starting from the initial issuance date of the preference shares and has the discretion to extend the term for one year. At liquidation, after all creditors' claim is satisfied, the asset of the subsidiary should be first distributed to preference shareholders by redeeming all issued shares together with any unpaid preferred share dividends. The preference shares are due for settlement within one year from 31 December 2024.

(2) The third party interests in consolidated fund consist of third-party unit holders' interest in the consolidated fund which is reflected as a liability as the fund is to be dissolved and return all capital to investor in seventh anniversary of the respective final closing date of the respective funds. The end of term of the consolidated fund is more than a year from 31 December 2024.

33 Lease liabilities

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

	31 December 2024		*31 December 2023*	
	Present value of the minimum lease payment HK$'000	*Total minimum lease payment* HK$'000	*Present value of the minimum lease payment* HK$'000	*Total minimum lease payment* HK$'000
Within one year	92,529	97,926	117,576	121,970
After one but within 2 years	54,663	57,108	64,548	66,190
After 2 years but within 5 years	26,919	27,538	30,116	30,546
Over 5 years	-	-	-	-
	174,111	182,572	212,240	218,706
Less: finance cost		(8,461)		(6,466)
Present value lease liabilities		174,111		212,240

34 Bank borrowings

The bank loan was unsecured and repayable as follows:

	2024 HK$'000	*2023* HK$'000
Within one year	-	1,399,479
After 2 year but within 3 years	1,384,659	-

The Group's banking facilities are subject to the compliance of covenants including certain financial ratios and negative pledge against certain arrangement and transactions, as are commonly found in lending arrangements with financial institutions. If the Group breached any of the covenants and negative pledge against certain arrangement and transactions, the outstanding bank loan would become immediate due and payable. The Group regularly monitors its compliance with these covenants. As at 31 December 2024, the Group is in compliance with the covenants. Further details of the Group's management of liquidity risk are set out in Note 4.

35 Shareholder's loan

The shareholder's loan becomes due within 1 year from the reporting date. The interest rate is determined based on arm's length terms.

36 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	*Capital Reserve* HK$'000	*Shares held by share award scheme* HK$'000	*Share-based payment reserve* HK$'000	*Accumulated losses* HK$'000	*Total* HK$'000
At 1 January 2023	11,872,180	64,000	(83,230)	1,575	(1,786,335)	10,068,190
Total comprehensive income for the year	-	-	-	(1,575)	(101,614)	(103,189)
At 31 December 2023 and 1 January 2024	11,872,180	64,000	(83,230)	-	(1,887,949)	9,965,001
Disposal of shares held by share award scheme	-	-	27	-	-	27
Total comprehensive income for the year	-	-	-	-	(101,447)	(101,447)
At 31 December 2024	11,872,180	64,000	(83,203)	-	(1,989,396)	9,863,581

(b) Nature and purpose of reserves

(i) Share held by share award scheme and share-based payment reserve

The Company's shares held by Youyu Share Award Scheme Nominee Limited, TMF Trust (HK) Limited and Bank of Communications Trustee Limited for the share award schemes are presented as a deduction in equity as shares held for share award scheme.

Share-based payment reserve represents the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments.

36 Capital and reserves (continued)

(ii) Asset revaluation reserve

The asset revaluation reserve arose on the revaluation of the trading rights in the exchanges in Hong Kong in prior years. The carrying value of the trading rights have been fully amortised in previous years. The remaining revaluation reserve will be realised when the Group disposes of the trading rights.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(x).

(iv) Statutory and capital reserve

Statutory reserve

Pursuant to the Company Law of the PRC, in accordance with the relevant subsidiary's articles of association, 10% of the net profit of the relevant subsidiary, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the registered capital of the subsidiary incorporated in PRC. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into registered capital, the remaining reserve is required to be no less than 25% of the subsidiary's registered capital before capitalisation.

Capital reserve

The capital reserve arose to recognise the difference between the fair value and the issue price of Company's share in relation to the completion of the acquisition of YF Life.

36 Capital and reserves (continued)

(c) Distributability of reserves

As at 31 December 2024, the Company did not have any reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622) (2023: Nil).

(d) Dividend

No dividend was paid or proposed for the year ended 31 December 2024 (2023: Nil), nor has dividend been proposed since the end of the reporting period.

(e) Share capital

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

	2024		*2023*	
	Number of shares	*Amount* HK$'000	*Number of shares*	*Amount* HK$'000
Issued and fully paid:				
Balance brought forward and carried forward	3,867,991,673	11,872,683	3,867,991,673	11,872,683

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally about the Company's residual assets.

(f) Capital management

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

The capital structure of the Group consists of share capital and reserves as shown in the consolidated statement of financial position. In respect of the Group's insurance operations in Hong Kong and Macao, the regulators are interested in ensuring that the subsidiary maintains an appropriate solvency position to meet its liabilities arising from claims maturities and surrenders from its life insurance contracts. Pursuant to the Hong Kong Insurance Ordinance and the Macau Insurance Ordinance, YF Life is required to meet the requirements on solvency margin. If YF Life fails to comply with the requirements, the regulators may require YF Life to submit a plan for the restoration of a sound financial position or a short term financial scheme as appropriate, to the satisfaction of the regulators. YF Life complied with the solvency margin requirements for the year ended 31 December 2024.

36 Capital and reserves (continued)

On the other hand, certain subsidiaries of the Group, Yunfeng Financial Markets Limited ("YFFM"), Yunfeng Securities Limited ("YFSL") and Yunfeng Asset Management Limited ("YFAM"), are subject to externally imposed capital requirements. YFFM, YFSL and YFAM are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance. The management monitors YFFM, YFSL and YFAM's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, YFAM, YFFM and YFSL must maintain its liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities whichever is higher. The required information was filed with SFC on a monthly or half yearly basis. YFFM, YFSL and YFAM were in compliance with the capital requirements imposed by FRR during the current and prior year.

37 Employee share-based arrangements

(i) Share award scheme

On 17 October 2014, the board of directors approved the adoption of the share award scheme (the "2014 Share Award Scheme"). The purpose of the 2014 Share Award Scheme is to (i) encourage or facilitate the holding of shares by the selected participants; (ii) encourage and retain such individuals to work with the Company and the Group and (iii) provide additional incentive for them to achieve performance goals, and the share award scheme took effect on 30 October 2014. Before vesting, the awarded shares are held in a trust set up by the scheme.

During the Year, there is neither new issue nor outstanding share award under the 2014 Share Award Scheme. During the Year, no Shares had been awarded under the 2014 Share Award Scheme and no awarded shares had been vested, cancelled or lapsed. 2014 Share Award Scheme was terminated on the expiry of the period of 10 years from the 2014 Adoption Date, the unvested shares were disposed in the secondary market during the Year.

With similar purpose of 2014 Share Award Scheme, on 12 December 2016, the board of directors approved the adoption of 2016 Share Award Scheme (the "2016 Share Award Scheme") and the Company issue of 23,990,000 new ordinary shares of the Company to TMF Trust (HK) Limited to be granted to the Group A Participant (Group A Grantees) as disclosed in the announcement of the Company dated 24 January 2017. The share was issued at value of HK$5.4 per share.

During the Year, the Group did not issue or award or repurchase any Shares under the 2016 Share Award Scheme.

The fair value of 2016 Share Award Scheme at the date of the grant are charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based payment reserve.

Upon vesting and transfer to the awardees, the related cost of the shares are credited to share held for share award scheme, and the related fair value of the shares are debited to share-based payment reserve.

The outstanding unvested awards as at 1 January 2024 and 31 December 2024 as disclosed below under Note 37(iii) were granted to other employees.

37 Employee share-based arrangements (continued)

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

Date of approval by board	*Date of award*	*Awarded sum*	*Number of shares issued*	*Number of awarded shares awarded*	*Average fair value per share*	*Vesting period*
		HK$'000			HK$	
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2017
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2018
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2019
24 January 2017	24 January 2017	26,499	5,997,500	5,047,500	5.25	24 January 2017 - 4 May 2020
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2018
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2019
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2020
25 April 2018	25 April 2018	3,242	-	712,500	4.55	25 April 2018 - 4 May 2021

37 Employee share-based arrangements (continued)

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

Date of approval by board	*Date of award*	*Awarded sum* HK$'000	*Number of shares repurchased*	*Number of awarded shares awarded*	*Average fair value per share* HK$	*Vesting period*
26 January 2018	26 January 2018	5,786	950,000	950,000	6.09	26 January 2018 - 2 February 2018
21 May 2018	21 May 2018	94,298	19,050,000	19,050,000	4.95	21 May 2018 - 28 May 2018

37 Employee share-based arrangements (continued)

(iii) Details of the 2016 Share Award Scheme vested, cancelled and modification of service condition to Group A Grantee.

Grant date on 24 January 2017

Vesting date	*Number of awarded shares awarded* A	*Number of awarded shares vested* B	*Number of awarded shares cancelled and forfeited* C	*Number of awarded share remains outstanding* D = A - B - C
As of 31 December 2022 and 1 January 2023				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	4,897,500	150,000
4 May 2020	5,047,500	-	4,897,500	150,000
Total	20,190,000	7,882,500	12,007,500	300,000
Movement for the year 2023				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	150,000	
4 May 2020	-	-	150,000	
As of 31 December 2023 and 1 January 2024				
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	-
Movement for the year				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
As of 31 December 2024				
4 May 2017	5,047,500	4,510,000	537,500	-
4 May 2018	5,047,500	3,372,500	1,675,000	-
4 May 2019	5,047,500	-	5,047,500	-
4 May 2020	5,047,500	-	5,047,500	-
Total	20,190,000	7,882,500	12,307,500	-

The awarded share remains outstanding due to service condition modification.

37 Employee share-based arrangements (continued)

Grant date on 25 April 2018

Vesting date	*Number of awarded shares awarded*	*Number of awarded shares vested*	*Number of awarded shares cancelled and forfeited*	*Number of awarded share remains outstanding*
As of 31 December 2022 and 1 January 2023				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the year 2023				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 31 December 2023 and 1 January 2024				
4 May 2018	712,500	712,500	-	-
4 May 2019	712,500	-	712,500	-
4 May 2020	712,500	-	712,500	-
4 May 2021	712,500	-	712,500	-
Total	2,850,000	712,500	2,137,500	-
Movement for the year				
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
4 May 2021	-	-	-	
As of 31 December 2024				
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	-

37 Employee share-based arrangements (continued)

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

Vesting date	*Number of awarded shares awarded*	*Number of awarded shares vested*	*Number of awarded shares cancelled*	*Number of awarded shares forfeited*	*Number of awarded share remains outstanding*
	A	B	C	D	E=A-B-C-D
2 Feb 2019	950,000	950,000	-	-	-
28 May 2018	19,050,000	19,050,000	-	-	-
As of 31 December 2019	20,000,000	20,000,000	-	-	-

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

38 Interests in structured entities

<u>Interest in consolidated structure entities</u>

The Group had consolidated certain structured entities, mainly funds related to wealth management operation. For those structured entities where the Group is involved as manager or as investor, the Group assesses the extent of controlling power according to relevant group accounting policies.

As at 31 December 2024, the net assets of consolidated limited partnership fund entities as detailed in Note 23 amounted to HK$178 million (2023: HK$345 million) with net carrying interest held by the Group being HK$117 million (2023: HK$227 million).

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

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

38 Interests in structured entities (continued)

Interest in unconsolidated structure entities

Among those structured entities held by the Group where the Group directly or indirectly involves as investment manager or in equivalent capacity, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these investment funds;
- substantive removal rights held by other parties may remove the Group as an investment fund manager; and
- the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the directors, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent. Therefore, the Group did not consolidate these structured entities.

The Group classified its investment in those unconsolidated entities as FVOCI investments with minimal loss exposure due to small investment amount involved.

39 Commitments

(a) Capital commitments

As at 31 December 2024, the Group has HK$1,859,000 (2023: HK$34,280,000) capital commitment contracted but not provided for.

(b) Investment commitments

(i) In the normal course of business, the Group enters into commitments to purchase certain investments and capital contribution commitments to third party managed fund investment. The Group has investment commitments contracted for amounted to HK$3,048,736,000 (2023: HK$2,176,196,000).

(ii) As at 31 December 2024, the Group has capital commitment to a joint venture for an amount of US$20 million (2023: US$20 million) with US$13.93 million (2023: US$13.93 million) has been contributed.

40 Material related party transactions

(a) Transactions with key management personnel

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

	2024 HK$'000	*2023* HK$'000
Short term employee benefits	13,280	31,685
Post-employment benefits	686	1,558
Equity compensation benefits	-	-
	13,966	33,243

Total remuneration is included in "staff costs" in Note 10(a) to the consolidated financial statements.

(b) Transactions with other related parties

	2024 HK$'000	*2023* HK$'000
Brokerage fee income *(Note (i))*	817	5,195
Investment management fee paid *(Note (ii))*	84,119	78,951
Policies endorsement fee paid *(Note (iii))*	4,160	4,344
Management fee and advisory fee income from a joint venture and co-manager of the joint venture	1,791	1,660
Premiums and fee income *(Note (iv))*	1,036	1,174

Note:

(i) During the year ended 31 December 2024 and 31 December 2023, the Group provided brokerage services to (i) companies where the Company's chairman, Mr. Yu Feng ("Mr. Yu") is a director and substantial shareholder and Mr. Huang Xin ("Mr. Huang"), the executive director, is a director (ii) key management of the Company.

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

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

(iv) During the year, the Group has received premium and fee income from a company where the Company's chairman, Mr. Yu is a director and shareholder.

41 Company-level statement of financial position at 31 December 2024

	Note	*2024* HK$'000	*2023* HK$'000
Assets			
Interests in subsidiaries		11,044,639	11,308,882
Property		7,198	2,629
Other receivables and prepayments		8,124	8,846
Cash and cash equivalents		196,011	47,840
Total assets		11,255,972	11,368,197
Liabilities			
Accrued expenses and other payables		420	157
Lease liability		7,312	3,560
Bank borrowings	34	1,384,659	1,399,479
Total liabilities		1,392,391	1,403,196
NET ASSETS		9,863,581	9,965,001
EQUITY			
Share capital	36(a)	11,872,180	11,872,180
Reserves	36(a)	(2,008,599)	(1,907,179)
TOTAL EQUITY		9,863,581	9,965,001

42 Immediate and ultimate controlling party

At 31 December 2024, the directors consider the immediate parent and ultimate holding company of the Company to be Yunfeng Financial Holdings Limited which is incorporated in the Cayman Islands and beneficially owned as to 29.85% and 70.15% by Mr. Ma Yun and Mr. Yu Feng, respectively. Yunfeng Financial Holdings Limited does not produce financial statements available for public use.

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

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

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

44 Reconciliation between HKFRSs and US GAAP

The 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 31 December 2024*				*As at 31 December 2023*
	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	-	3,858	-	612,481	632,602
Statutory deposits	-	-	-	5,602	4,193
Deferred tax assets	-	(66,528)	58,156	87,568	114,440
Tax recoverable	-	-	-	39	45
Investments in associates	-	-	-	118,554	121,500
Goodwill and intangible assets	-	-	-	1,920,168	1,923,737
Other contract asset	(134,763)	-	-	-	-
Deferred acquisition costs and value of business acquired	18,570,280	-	-	18,570,280	17,860,604
Investments	-	2,456,501	(1,523,286)	79,558,790	73,855,117
Reinsurance contract assets	(6,790,716)	-	-	-	-
Advance reinsurance premiums	1,200,367	-	(11,547)	1,188,820	415,707
Reinsurers' share of outstanding claims	142,369	-	-	142,369	126,689
Insurance and reinsurance receivables	6,984,578	-	(2,274)	6,982,304	8,523,455
Other accounts receivable and accrued income	-	-	-	229,572	113,160
Other receivables, deposits and prepayments	48,554	-	-	1,664,461	992,897
Bank balance – trust and segregated accounts	-	-	-	292,774	295,166
Fixed bank deposits with original maturity over 3 months	-	-	-	1,229,988	1,259,134
Cash and cash equivalents	-	-	-	4,373,329	3,973,788
Total assets				116,977,099	110,212,234
Liabilities					
Financial liabilities at fair value through profit or loss, other accounts payable and lease liabilities	-	-	-	(1,395,763)	(1,116,167)
Other payables and accrued expenses	(3,680,191)	-	-	(4,904,626)	(4,154,767)
Tax payable	-	-	-	(33,071)	(67,545)
Insurance contract provisions	(90,798,605)	-	-	(90,798,605)	(85,396,806)
Insurance contract liabilities	69,617,928	-	-	-	-
Investment contract liabilities	4,750,649	-	-	-	-
Outstanding claims	(304,372)	-	-	(304,372)	(273,858)
Reinsurance premium payables	(525,069)	-	-	(525,069)	(355,788)
Deferred tax liabilities	(763,562)	-	-	(1,063,447)	(1,099,123)
Bank borrowings	-	-	-	(1,384,659)	(1,399,479)
Shareholder's loan	-	-	-	(1,641,077)	(1,641,077)
Total liabilities				(102,050,689)	(95,504,610)
Net assets				14,926,410	14,707,624
Capital and reserves					
Share capital	-	-	-	11,872,683	11,872,683
Reserves	(1,174,422)	1,670,967	(1,032,309)	(1,977,788)	(2,054,136)
Non-controlling interests	(508,131)	722,864	(446,642)	5,031,515	4,889,077
Total equity				14,926,410	14,707,624

44 Reconciliation between HKFRSs and US GAAP (continued)

Condensed consolidated income statement	*2024* HK$'000	*2023* HK$'000
Amounts under US GAAP		
Income		
Premiums and fee income	10,939,638	10,237,745
Premiums ceded to reinsurer	(1,685,209)	(1,470,670)
Net premium and fee income	9,254,429	8,767,075
Change in unearned revenue liability	(204,808)	(332,750)
Net earned premium and fee income	9,049,621	8,434,325
Brokerage commission, interest and other service income	16,856	20,565
Subscription, management and rebate fee income	5,629	4,638
Net investment and other income	3,607,446	4,763,502
Reinsurance commission and profit	63,269	41,198
Total income	12,742,821	13,264,228
Benefits, losses and expenses		
Net policyholders benefit	(4,256,995)	(3,040,586)
Commission and related expenses	(1,737,123)	(2,458,256)
Management and other expenses	(1,309,049)	(1,237,699)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(4,265,738)	(5,550,928)
Total benefits, losses and expenses	(11,568,905)	(12,287,469)
Finance costs	(227,532)	(202,126)
Share of results of associates	(2,302)	(10,810)
Profit before taxation	944,082	763,823
Tax expenses	(67,845)	(57,928)
Profit after taxation	876,237	705,895
Profit attributable to:		
Owners of the Company	539,686	392,255
Non-controlling interests	336,551	313,640
	876,237	705,895
HKFRSs adjustments (Notes)		
(Loss)/profit attributable to:		
Owners of the Company	(68,899)	4,909
Non-controlling interests	(29,767)	2,103
	(98,666)	7,012
Amounts under HKFRSs		
Profit attributable to:		
Owners of the Company	470,787	397,164
Non-controlling interests	306,784	315,743
	777,571	712,907

44 Reconciliation between HKFRSs and US GAAP (Continued)

Notes:

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

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

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

45 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2024.

46 Non-adjusting events after the reporting period

On 7 March 2025, the Group announced to enter into an asset-backed hybrid facility/investment agreement (“the AHF/I Agreement”) with a related company. Under the AHF/I Agreement, the Group agreed to provide the related party with a secured, non-revolving term loan facility in the principal amount of HK$7.6 billion. The AHF/I Agreement is subject to approval of the shareholders.

47 Scope of work of KPMG

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

Five Year Financial Summary

	Year ended 31 December				
	2024	*2023*	*2022 (restated)*	*2021*	*2020*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Profit/(loss) for the year	777,571	712,907	(664,337)	792,665	948,987
Attributable to:					
Equity shareholder of the company	470,788	397,164	(642,735)	513,414	618,315
Non-controlling interest	306,783	315,743	(21,602)	279,251	330,672
Profit/(loss) for the year	777,571	712,907	(664,337)	792,665	948,987
Basic earnings/(loss) per share *(HK$)*	0.12	0.10	(0.17)	0.13	0.19

	At 31 December				
	2024	*2023*	*2022 (restated)*	*2021 (restated)*	*2020*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property and equipment	608,623	632,460	674,271	711,787	600,451
Goodwill and intangible assets	1,920,168	1,923,737	1,909,213	1,910,204	1,909,079
Value of business acquired	-	-	-	-	9,012,571
Interest in associates	118,554	121,500	132,012	148,819	30,074
Investments	78,625,575	74,126,597	66,754,778	68,145,212	62,807,704
Other assets	14,768,630	13,345,027	12,299,000	11,425,558	13,192,676
Total liabilities	(80,347,467)	(73,744,252)	(65,507,576)	(65,227,716)	(68,210,788)
	15,694,083	16,405,069	16,261,698	17,113,864	19,341,767
Share capital	11,872,683	11,872,683	11,872,683	11,872,683	11,872,683
Reserves	(1,442,024)	(869,362)	(865,353)	(87,165)	1,507,893
	10,430,659	11,003,321	11,007,330	11,785,518	13,380,576
Non-controlling interests	5,263,424	5,401,748	5,254,368	5,328,346	5,961,191
Total equity	15,694,083	16,405,069	16,261,698	17,113,864	19,341,767

Note: For the year ended 31 December 2023, the Group has adopted HKFRS 17, *Insurance Contracts*, and related redesignation of financial assets. The change in accounting policy has been applied retrospectively by restating the balances at 1 January 2022 and 1 January 2023, with consequential adjustments to comparatives for the year ended 31 December 2022.

The above results for the years ended 31 December 2020 to 2021 and assets and liabilities at 31 December 2020 have not been restated during the adoption of HKFRS 17. These financial data have been prepared in accordance to HKFRS 4, *Insurance Contracts*, which is a different basis of preparation and not comparable to the figures adopted HKFRS 17.

Definitions

In this announcement, the following expressions shall have the following meanings unless the context required otherwise:

"Audit Committee"	the audit committee of the Company
"Barings Investment Advisory Agreement"	the Fourth Amended and Restated Investment Advisory Agreement dated 15 December 2017 and entered into by and between Barings LLC and YF Life
"Board"	the board of Directors
"CEO"	the chief executive officer of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairman"	the chairman of the Board
"Company"	Yunfeng Financial Group Limited
"Companies Ordinance"	the Companies Ordinance ("Chapter 622 of the Laws of Hong Kong, as it may be amended from time to time)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKIA"	the Hong Kong Insurance Authority, whether the individual appointed under the IO or body corporate established under the IO
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IO"	the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as the case may be, as it may be amended from time to time
"Jade Passion"	Jade Passion Limited
"Key Imagination"	Key Imagination Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MMI"	MassMutual International LLC

Definitions (continued)

"MMLIC"	Massachusetts Mutual Life Insurance Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as it may be amended from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year"	the year ended 31 December 2024
"YF Life"	YF Life Insurance International Limited, formerly known as MassMutual Asia Limited, a non-wholly owned subsidiary of the Company
"YFHL"	Yunfeng Financial Holdings Limited

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

Hong Kong, 28 March 2025

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