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Yunfeng Financial Group Limited

雲鋒金融集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board**”) of Yunfeng Financial Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee and the Company’s independent auditor.

Corporate information

Board of Directors

Chairman

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised representatives

Mr. Fang Lin
Mr. Chan Man Ko

Company secretary

Mr. Chan Man Ko

Auditor

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

Bankers

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

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

The board of directors (the “Board”) of Yunfeng Financial Group Limited (the “Company”) submit herewith the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 (the “First Half of 2024”, “1H 2024” or the “Period”), together with the comparative figures for the corresponding period in 2023 (the “Prior Period” or “1H 2023”).

Overview

In the First Half of 2024, the economy of Hong Kong recorded a moderate growth. The central government has rolled out various measures benefitting Hong Kong to support the local economic growth. Despite uncertainties in geopolitical tension and market interest rate forecast, and the digitalisation and virtualisation of insurance industry posing many different challenges, the Group has adapted to different changes, identify and overcome those challenges to enhance competitiveness, 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. There is no material change in the Group's core business activities compared to that of year 2023.

For the Period, the Group's insurance revenue amounted to HK\$1,378 million, representing an increase of 10% compared to that of HK\$1,257 million for the Prior Period. The Group's consolidated profit amounted to HK\$376 million compared to that of HK\$267 million for the Prior Period. The net profit attributable to equity shareholders of the Company amounted to HK\$201 million compared to HK\$138 million for the Prior Period. The increase in net profit attributable to equity shareholders of the Company for the Period was mainly due to the benefit of the improvement of the Group's overall operating performance and the receipt of an one-off financial incentive offered by the Mandatory Provident Fund Schemes Authority to the first trustee to get onboard the eMPF Platform (an electronic MPF administration and management platform).

Financial result review

Significant financial information

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

Income	<i>2024</i>	<i>2023</i>	<i>Change %</i>
Net operating income	560	498	12
Net profit attributable to the owners	201	138	46
Basic earnings per share (HK\$) (<i>Note 1</i>)	0.05	0.04	25
Interim dividend proposed per share	-	-	NA

Consolidated financial position analysis, HK\$ million

	<i>At 30 June 2024</i>	<i>At 31 December 2023</i>	<i>Change %</i>
Total assets	93,268	90,149	3
Total equity	16,328	16,405	-
Owner's equity	10,886	11,003	(1)
Owner's equity per share (HK\$) (<i>Note 2</i>)	2.81	2.85	(1)

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

Note 2: The denominator is total issued shares.

Financial result review (continued)

Analysis on profit for six months period ended 30 June, HK\$ million

	2024	2023	Change %
YF Life segment net operating income	573	540	6
Other financial services and corporate segment operating loss	<u>(13)</u>	<u>(42)</u>	(69)
Net operating income	560	498	12
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	(108)	(125)	(14)
- Investment return related to other financial service business	(87)	(34)	156
- Staff share award amortisation reversal	-	2	NA
- Finance costs (<i>Note 2</i>)	(106)	(86)	23
- Other items (<i>Note 3</i>)	92	(8)	NA
- Consolidation adjustments (<i>Note 4</i>)	<u>25</u>	<u>20</u>	25
Profit for the period	376	267	41
Less: non-controlling interests	<u>(175)</u>	<u>(129)</u>	36
Net profit attributable to the owners	<u><u>201</u></u>	<u><u>138</u></u>	46

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 capital required in the Group's strategic investment.

Note 3: Other items include non-recurring items such as 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.

Financial result review (continued)

Changes in owner's equity

HK\$ million

2024

Balance at 1 January	16,405
Profit for the Period	376
Other comprehensive income	(453)

Balance at 30 June	<u>16,328</u>
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Attributable to:

- Equity shareholders of the Company	10,886
- Non-controlling interests	5,442

Total equity	<u>16,328</u>
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Business review

Insurance business review

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

Business review (continued)

Overview

During the First Half of 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 30 June 2024, the tied agency force consisted of approximately 2,999 (31 December 2023: 3,050) agents in Hong Kong and Macao. In addition to tied agency force, we also utilise brokers and agency intermediaries as well as banks and other financial institutions to distribute insurance products. The insurance business division has approximately 538 (31 December 2023: 518) employees and more than 535,000 (31 December 2023: 536,000) in-force individual policies.

In the First Half of 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 also explored new partnerships with fintech companies to tap into the online customer segment.

Our insurance division continued to innovate and introduce new savings, protection and annuity products targeted at our key customer segments to grow both local customer and mainland Chinese Visitor (MCV) sales, as well as support channel development. Furthermore, we dedicated our resources to promoting our brand through various means to increase our brand exposure and awareness both online and offline. Technology empowerment remains one of the company's core values. We launched YF GO!, a brand-new-one-stop healthcare and medical value-added service platform, to reinforce our "product + service" customer proposition. We introduced new features to our sales and customer platforms as part of our ongoing commitment to enhance sales efficiency and provide a seamless experience for our customers.

Business review (continued)

Non HKFRS supplementary financial information

Total premium and fee income

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

	<i>For the six months period</i>		%
	<i>ended 30 June</i>		
	<i>2024</i>	<i>2023</i>	
	HK\$ million	HK\$ million	
Total premium and fee income reported under the IO*	5,517	5,436	2

* excluding short term endowment

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

Business review (continued)

Business Volume

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

(i) By geographical region

	<i>For the six months period ended 30 June</i>		<i>2023</i>	
	<i>2024</i>	%	HK\$ million	%
	HK\$ million		HK\$ million	
Hong Kong	4,036	73	3,944	73
Macao	1,481	27	1,492	27
	5,517	100	5,436	100

(ii) By distribution channel

	<i>For the six months period ended 30 June</i>					
	<i>2024</i>			<i>2023</i>		
	HK\$ million			HK\$ million		
	Hong Kong	Macao	Total	Hong Kong	Macao	Total
Tied agency	2,169	596	2,765	2,268	609	2,877
Brokers and non-tied agency	1,562	832	2,394	1,372	808	2,180
Banks and other financial institutions	305	53	358	304	75	379
	4,036	1,481	5,517	3,944	1,492	5,436

(iii) By product type

	<i>For the six months period ended 30 June</i>					
	<i>2024</i>			<i>2023</i>		
	HK\$ million			HK\$ million		
	Hong Kong	Macao	Total	Hong Kong	Macao	Total
Regular premium - First year	603	64	667	1,003	359	1,362
Regular premium - Renewal	3,257	1,398	4,655	2,706	1,103	3,809
Single premium	174	17	191	233	28	261
Fee income	2	2	4	2	2	4
	4,036	1,481	5,517	3,944	1,492	5,436

Business review (continued)

Embedded value and new business value

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. New Business Value represents an actuarially determined estimate of the economic value arising from new life insurance business issued in the relevant period.

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

The embedded value of the insurance business as at 30 June 2024 is HK\$21,112 million (31 December 2023: HK\$20,718 million) with breakdown as below.

HK\$ million

	<i>As at 30 June 2024</i>	<i>As at 31 December 2023</i>	<i>Change %</i>
Adjusted Net Worth (“ANW”) (<i>Note 1</i>)	10,549	10,108	4
Value of in-force (“VIF”) business after cost of capital (<i>Note 2</i>)	<u>10,563</u>	<u>10,610</u>	-
Embedded value	<u><u>21,112</u></u>	<u><u>20,718</u></u>	2

Business review (continued)

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

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

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

HK\$ million

	<i>As at 30 June 2024</i>	<i>As at 30 June 2023</i>	<i>Change %</i>
Adjusted Net Worth (“ANW”)	10,549	9,454	12
Value of in-force (“VIF”) business after cost of capital	<u>10,563</u>	<u>10,678</u>	(1)
Embedded value	<u><u>21,112</u></u>	<u><u>20,132</u></u>	5

The new business value of the insurance business for the six months period ended 30 June 2024 is HK\$336 million, a decrease of HK\$267 million compared to that of HK\$603 million as of the same period last year. The decrease of new business value is due to the decline of annual premium equivalent (APE) amounted to HK\$1,131 million, a 31% decrease compared to HK\$1,639 million of the same period last year. By the seven months period ended 31 July 2024, the decline of APE reduced from 31% to 15%. In particular, the agent channel recorded an APE growth of 21% by the end of July 2024 compared to the same period last year.

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

HKFRS financial information

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

	<i>For the six months period ended 30 June</i>		<i>Change %</i>
	<i>2024</i> HK\$ million	<i>2023</i> HK\$ million	
Insurance revenue (<i>Note a</i>)	1,378	1,257	10
Insurance service expenses (<i>Note b</i>)	(1,040)	(1,011)	3
Net expenses from reinsurance contracts	<u>(11)</u>	<u>(1)</u>	10 times
Insurance service result (<i>Note c</i>)	327	245	33
Investment return	1,985	1,468	35
Net finance expenses from insurance contracts (<i>Note d</i>)	(1,629)	(1,090)	49
Net finance income from reinsurance contracts (<i>Note d</i>)	76	47	62
Movement in investment contract liabilities	<u>(104)</u>	<u>(116)</u>	(10)
Net financial result	328	309	6
Revenue from investment management services and other income	80	42	90
Other operating expenses (<i>Note e</i>)	<u>(116)</u>	<u>(113)</u>	3
Profit before taxation	619	483	28
Taxation	<u>(61)</u>	<u>(74)</u>	(18)
Profit after taxation	<u><u>558</u></u>	<u><u>409</u></u>	36

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 YF Life including incurred claims and other expenses.

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

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

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

Net operating income

For management decision making and internal performance management purpose, the Group refers to the net operating income (“NOI”) representing profit generate from core business activities for the Period increase by 6% to HK\$573 million.

	<i>For the six months period ended 30 June</i>		<i>Change %</i>
	<i>2024</i> HK\$ million	<i>2023</i> HK\$ million	
Insurance service result (Note 1)	266	259	3
Investment result (Note 2)	436	436	-
Others (Note 3)	(129)	(155)	(17)
Net operating income	<u>573</u>	<u>540</u>	6
Adjust for the following profit or loss and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate (Note 4)	(108)	(125)	(14)
- Other transactions (Note 5)	93	(6)	NA
Profit for the period	<u><u>558</u></u>	<u><u>409</u></u>	36

Certain comparative figures are reclassified to be consistent with current period presentation.

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

	<i>For the six months period ended 30 June</i>		<i>Change %</i>
	<i>2024</i> HK\$ million	<i>2023</i> HK\$ million	
Net CSM release	323	319	1
Impact of variances and risk adjustment net of reinsurance result	(57)	(60)	(5)
Insurance service result	<u><u>266</u></u>	<u><u>259</u></u>	3

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.

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

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

Short term fluctuation represents difference between current period 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 adjustments represent the impact which management consider not related to core business activities and therefore excluded from NOI for better understanding, e.g. the implementation and maintenance cost of HKFRS 17, non-recurring other income, etc.

Assets and Liabilities

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

	<i>As at</i> <i>30 June</i> <i>2024</i> HK\$ million	<i>As at</i> <i>31 December</i> <i>2023</i> HK\$ million
Investments	75,785	73,372
Cash and deposits	4,973	4,311
Reinsurance contract assets	6,582	6,518
Other assets	2,328	2,192
Total assets	89,668	86,393
Insurance contract liabilities	66,931	63,577
Investment contract liabilities	5,106	5,122
Other liabilities	1,177	1,350
Total liabilities	73,214	70,049
Net assets	16,454	16,344

As at 30 June 2024, 97.9% (31 December 2023: 97.9%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. 88.4% (31 December 2023: 88.0%) of the mortgage loans are investment grade rated (i.e. BBB- or above) as assessed by internal rating analysis with the support from external investment manager using similar credit rating methodology from reputable credit rating agencies.

As at 30 June 2024, the total assets under management (“AUM”) of insurance business including those managed through non-consolidated entities like MPF schemes amounted to HK\$86,052 million (31 December 2023: HK\$82,626 million).

Investment assets

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

	<i>As at 30 June 2024</i>	<i>As at 31 December 2023</i>
	HK\$ million	HK\$ million
<u>General investment</u>		
Debt securities	62,324	61,172
Mortgage loans	4,876	5,035
Equity securities	2,377	2,436
Cash for investment	740	475
	<u>70,317</u>	<u>69,118</u>
<u>Direct participating contracts</u>		
Debt securities	2,972	1,317
Equity securities	2,817	2,060
Cash for investment	1,352	1,840
	<u>7,141</u>	<u>5,217</u>
<u>Unit-linked</u>		
Equity securities	5,782	5,748
	<u>83,240</u>	<u>80,083</u>

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

	<i>For the six months period ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	HK\$ million	HK\$ million
Interest income and others	1,458	1,309
Dividend income	80	43
	<u>1,538</u>	<u>1,352</u>

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

Insurance contract liabilities and reinsurance contract assets

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

	<i>As at</i> <i>30 June</i> <i>2024</i> HK\$ million	%	<i>As at</i> <i>31 December</i> <i>2023</i> HK\$ million	%
Fulfilment cashflow	53,245	88	49,835	87
Net CSM	7,104	12	7,224	13
	<hr/>		<hr/>	
Net balance	60,349	100	57,059	100
	<hr/> <hr/>		<hr/> <hr/>	
Comprised of:				
Insurance contract liabilities	66,931		63,577	
Reinsurance contract assets	(6,582)		(6,518)	
	<hr/>		<hr/>	
	60,349		57,059	
	<hr/> <hr/>		<hr/> <hr/>	

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

	<i>Notes</i>	<i>2024</i> HK\$ million
CSM Value as at 1 January		7,224
New business CSM	a	396
Expected unwind	b	86
Economic variances	c	(31)
Experience variances	d	(228)
Exchange rate impact		(20)
CSM release	e	(323)
		7,104
CSM Value as at 30 June		7,104

Note

- a) It represents the effect of new contracts brought to CSM for the Period.
- b) It represents the effect of interest accreted on CSM which is measured at 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 variance and assumption update from 1) arising from premiums received in the period, including any related cash flows such as insurance acquisition cash flows that relate to future service, 2) changes in estimates of the present value of future cashflow of liabilities of remaining coverage, 3) difference between any investment component expected to become payable and the actual amount becomes payable in the period, 4) change of risk adjustment for non-financial risk that related to the future service. The change in 1H2024 is mainly due to the combined impact of premium, claim and lapse experience.
- e) The release of net CSM is based on coverage units, a function of quantity of benefit provided and expected coverage period, provided for the period of the group of contracts. The CSM release rate throughout 1H 2024 remains stable.

Key operational data of the insurance division

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

	<i>As at 30 June 2024</i>	<i>As at 31 December 2023</i>
Number of employees		
- Hong Kong	501	478
- Macao	37	40
Number of tied agents		
- Hong Kong	2,141	2,172
- Macao	858	878
Number of brokers and non-tied agents	512	504
Number of bancassurance partners	6	6
Expenses ratio (Note 1)	8.1%	8.7%

Note:

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

Financial strength and solvency margin

During the period ended 30 June 2024, our insurance business has strictly adhered to the regulatory minimum capital requirement as determined at the relevant time in accordance with the IO and maintain sufficient available capital for operation purpose.

With the Risk-based Capital (“RBC”) regime effective on 1 July 2024 under the IO, the RBC regime solvency ratio of YF Life as at 31 December 2023 is assessed and calculated at 203%. Our insurance division will continue to strictly adhered to the RBC regime and maintain sufficient available capital for operation purpose.

Other financial service business

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

Prospect

Looking ahead to the second half of the year, the Group will continue to focus on the insurance business and expand the market size and influence of YF Life to optimise the Group's financial position.

Liquidity and financial resources

As at 30 June 2024, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK\$5,738 million (31 December 2023: HK\$5,233 million). As at 30 June 2024, the Group has HK\$1,382 million (31 December 2023: HK\$1,399 million) bank borrowing outstanding and HK\$1,641 million (31 December 2023: HK\$1,641 million) shareholder's loan outstanding. The Group's gearing ratio was 15.62% (31 December 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 Period are set out in the statement of changes in equity to the condensed consolidated interim financial statements.

Foreign exchange risk

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

Material acquisitions and disposals of subsidiaries and associates

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

Charges on assets

At the end of the Period, the Group did not have any charges on assets, other than security deposits of HK\$22,925,000 (31 December 2023: HK\$26,655,000) for banking facilities, HK\$20,065,884,000 of investments together with HK\$956,378,000 of fixed bank deposits (31 December 2023: HK\$18,717,825,000 of investments together with HK\$907,291,000 of fixed bank deposits) in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

Commitments

Details of commitments are set out in note 30 to the condensed consolidated interim financial statements.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2024 and 31 December 2023.

Staffing and remuneration

As at 30 June 2024, the Group employed 631 (31 December 2023: 611) full-time employees mainly located in Hong Kong, Macao and the People's Republic of China and stringently abided by the relevant labour laws and regulations. To foster a motivated and skilled working team, the Group provides on-the-job training and competitive remuneration packages including salaries and discretionary bonuses for employees.

The remuneration policy and package, including the share options and share awards (if any), of the Group's employees are maintained at market level and are reviewed annually by the management. There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 31 December 2023.

Dividend

The board did not declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Use of proceeds from issue of subscription shares

As disclosed in the circular of the Company dated 21 September 2020 ("Circular"), 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 ("2024 Announcement"), there was subsequent update in use of proceeds which the Company change the use of Unutilised Proceeds in Strategic Investment so that (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, and (ii) the remaining HK\$500 million will be re-allocated as general working capital of the Group.

Use of proceeds from issue of subscription shares (continued)

The table below sets out the actual application of net proceeds of the Issue up to 30 June 2024:

	<i>Initial allocation of net proceeds as stated in the Circular</i> HK\$ million	<i>Unutilised proceeds up to 31 December 2023</i> HK\$ million	<i>Revised allocation as disclosed in the 2024 Announcement</i> HK\$ million	<i>Actual usage from 1 January 2024 to 30 June 2024</i> HK\$ million	<i>Unutilised proceeds as at 30 June 2024</i> HK\$ million	<i>Expected timeline for utilising the remaining net proceeds</i>
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	(10.3)	489.7	Expected to be fully utilised on or before 31 December 2027
Principal Investment (note 2)	-	-	724.6	(509.4)	215.2	Expected to be fully utilised on or before 31 December 2027
Total	<u>2,041.0</u>	<u>1,224.6</u>	<u>1,224.6</u>	<u>(519.7)</u>	<u>704.9</u>	

Notes:

- 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.
- 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.

Events after reporting period

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

Embedded Value

1. Background

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

2. Basis of preparation

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

The Risk-based Capital regime for the Hong Kong insurance industry has come into operation on 1 July 2024. This Risk-based Capital regime has not been applied to the preparation of the Embedded Value as at 30 June 2024.

The Group has appointed PricewaterhouseCoopers Limited (“PwC”), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by us in the preparation of the Embedded Value as at 30 June 2024 are consistent with standards generally adopted by insurance companies in Hong Kong and the preparation basis adopted for the Embedded Value as at 31 December 2023.

3. Cautionary statement

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

4. Embedded value of YF Life

4.1 Embedded value

	<i>As at 30 June 2024 HK\$ million</i>	<i>As at 31 December 2023 HK\$ million</i>
Adjusted Net Worth	10,549	10,108
Value of in-force business before cost of capital	13,180	13,187
Cost of capital	(2,617)	(2,577)
Embedded value	<u>21,112</u>	<u>20,718</u>
Attributable to:		
Owners of the Company	14,736	14,461
Non-controlling interests	6,376	6,257
Embedded value	<u>21,112</u>	<u>20,718</u>

4.2 New business value

	<i>For the past 6 months as of 30 June 2024 HK\$ million</i>	<i>For the past 6 months as of 30 June 2023 HK\$ million</i>
New Business Value after cost of capital	<u>336</u>	<u>603</u>

Other Information

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

As at 30 June 2024, the interests and short positions of each director of Yunfeng Financial Group Limited (the "Company") (the "Director") and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, or known to the Company, were as follows:

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

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

Note:

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

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

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

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

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

Save as disclosed above, as at 30 June 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.

Long-term incentive schemes

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

Share Option Scheme

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

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

As at 1 January 2024 and 30 June 2024, the total number of share options that could be granted is 386,799,167, representing approximately 10% of the total Shares in issue on the date of adoption of the Share Option Scheme (i.e. 28 June 2022) and as of the date of this announcement. Details and other principal terms of the Share Option Scheme are set out in the circular of the Company dated 2 June 2022.

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

Long-term incentive schemes (continued)

Share Award Schemes

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

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

The maximum number of shares can be issued or purchased under the 2016 Share Award Scheme and the 2014 Share Award Scheme is 10% of the Shares in issue from time to time (i.e. 386,799,167 Shares, representing 10% of total issued Shares as at the date of this announcement). As at 1 January 2024 and 30 June 2024, the total number of Shares which is available for being further issued under the 2016 Share Award Scheme and the 2014 Share Award Scheme (i.e., 353,478,928 Shares) represents 9.14% of total issued Shares as at the date of this announcement.

2014 Share Award Scheme

Since the date of adoption of 2014 Share Award Scheme (i.e. 30 October 2014) (the “2014 Adoption Date”) and up to the date of this announcement, a total of 9,330,239 Shares have been awarded under the 2014 Share Award Scheme, representing about 0.24% of the total issued Shares as at the date of this announcement. There was no movement for the Shares awarded under the 2014 Share Award Scheme during the Period. During the Period, no Shares had been awarded and no Shares had been vested, cancelled or lapsed under the 2014 Share Award Scheme. Further details of the 2014 Share Award Scheme are set out in Note 28 to the condensed consolidated interim financial statement.

2016 Share Award Scheme

Since the date of adoption of 2016 Share Award Scheme (i.e. 12 December 2016) (the “2016 Adoption Date”) and up to the date of this announcement, 43,040,000 Shares have been awarded pursuant to the 2016 Share Award Scheme, representing about 1.11% of the total Shares in issue as at the date of this announcement, together with the Shares awarded under the 2014 Share Award Scheme, in aggregate representing about 1.35% of the total Shares in issue as at the date of this announcement. During the Period, no Shares had been awarded under the 2016 Share Award Scheme. The movement of the Shares awarded under the 2016 Share Award Scheme during the Period and further details of the 2016 Share Award Scheme are set out in Note 28 to the condensed consolidated interim financial statement.

Directors’ rights to acquire shares

Save as disclosed in this announcement, at no time during the six months ended 30 June 2024 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or debentures of, the Company or any other body corporate.

Substantial shareholders' and other persons' interests in shares

As at 30 June 2024, the Company had been notified of the following substantial shareholders' and other persons' interests, being 5% or more of the Company's issued shares that are recorded in the register under Section 336 of the SFO.

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

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

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

Save as disclosed above, as at 30 June 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.

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

During the six months ended 30 June 2024, 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 30 June 2024, the Company did not hold (or hold through CCASS or deposit in CCASS) any treasury share. Hence, disclosure requirements in respect of treasury shares under the Listing Rules are not applicable.

Corporate governance

During the six months ended 30 June 2024, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”), as set out in Appendix C1 to the Listing Rules.

Code of conduct for securities transactions

The Company has adopted the code of conduct regarding director’s securities transactions with terms no less exacting than the required standard set out in the Model Code. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the six months ended 30 June 2024.

Audit committee

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

This unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2024 have been reviewed by the audit committee of the Company.

Changes of directors’ information

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

The remuneration of Mr. Fang Lin, an executive director and chief executive officer of the Company, has been adjusted to HK\$3,960,000 per annum with effect from 1 March 2024.

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

Condensed consolidated income statement for the six months ended 30 June 2024 (unaudited)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Insurance revenue	5	1,377,534	1,256,988
Insurance service expenses	9	(1,040,454)	(1,011,170)
Net expenses from reinsurance contracts		(11,429)	(1,012)
Insurance service result		325,651	244,806
Interest revenue calculated using the effective interest method	6	1,594,422	1,399,226
Other investment revenue	6	381,659	133,031
Net impairment loss on financial assets	6	(3,144)	(62,254)
Investment return		1,972,937	1,470,003
Net finance expenses from insurance contracts	6	(1,628,587)	(1,089,654)
Net finance income from reinsurance contracts	6	75,954	47,504
Movement in investment contract liabilities		(109,285)	(113,900)
Movement in in financial liabilities related to third party interests in consolidated funds		(60)	4,895
Net financial result		310,959	318,848
Revenue from investment management and other financial services	7	21,284	27,838
Other income	8	70,270	30,134
Other operating expenses	9	(172,653)	(185,366)
Other finance costs	10	(114,662)	(91,970)
Share of loss of equity-accounted investee, net of tax		(3,408)	(2,798)
Profit before tax		437,441	341,492
Income tax expense	11	(60,999)	(74,553)
Profit for the period		376,442	266,939

Condensed consolidated income statement
for the six months ended 30 June 2024 (unaudited)
(continued)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Profit for the period attributable to:			
Equity shareholders of the Company		200,994	137,935
Non-controlling interests		175,448	129,004
		376,442	266,939
 Earnings per share attributable to equity shareholders of the Company			
Basic (HK\$)	12	0.05	0.04
Diluted (HK\$)	12	0.05	0.04

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

Condensed consolidated statement of
comprehensive income
for the six months ended 30 June 2024 (unaudited)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Profit for the period after taxation		376,442	266,939
Other comprehensive income for the period			
Item that will not be reclassified subsequently to profit or loss:			
Equity investment at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		-	10,570
Related income tax		-	(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		(1,085,964)	330,206
Net movement in hedging reserve during the period recognised in other comprehensive income		(113,081)	-
Exchange differences arising on translation of results of foreign operations		(13,434)	(35,111)
Net finance income/(expenses) from insurance contracts	6	683,544	(657,939)
Net finance income from reinsurance contracts	6	61,988	40,080
Net deferred tax impact recognised in other comprehensive income		13,392	139,956
Total comprehensive income for the period		<u>(77,113)</u>	<u>94,610</u>

Condensed consolidated statement of
comprehensive income
for the six months ended 30 June 2024 (unaudited)
(continued)
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	(117,514)	13,951
Non-controlling interests	40,401	80,659
	<u>(77,113)</u>	<u>94,610</u>

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

Condensed consolidated statement of financial position at 30 June 2024 (unaudited)

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>At 30 June 2024 HK\$'000</i>	<i>At 31 December 2023 HK\$'000</i>
Assets			
Property and equipment	15	594,689	632,460
Statutory deposits		4,534	4,193
Deferred tax asset		83,894	70,910
Tax recoverable		40	45
Investments in associates		112,837	121,500
Goodwill and intangible assets		1,923,660	1,923,737
Other contract asset		128,558	123,249
Investments	16	76,566,062	74,126,597
Reinsurance contract assets	20	6,581,905	6,517,666
Other accounts receivable and accrued income	17	105,515	113,160
Other receivables, deposits and prepayments	18	1,128,412	987,716
Bank balance - trust and segregated accounts	19	299,532	295,166
Fixed bank deposits with original maturity over 3 months	19	1,173,113	1,259,134
Cash and cash equivalents	19	4,564,898	3,973,788
		93,267,649	90,149,321

Condensed consolidated statement of financial position at 30 June 2024 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Liabilities			
Other accounts payable	22	394,001	385,563
Other payables and accrued expenses	23	787,002	891,614
Financial liabilities at fair value through profit or loss	24	465,388	518,364
Tax payable		150,331	67,545
Insurance contract liabilities	20	66,931,371	63,577,444
Investment contract liabilities	21	4,763,622	4,774,847
Lease liabilities		170,760	212,240
Deferred tax liabilities		253,883	276,079
Bank borrowings	25	1,382,258	1,399,479
Shareholder's loan	26	1,641,077	1,641,077
		76,939,693	73,744,252
		16,327,956	16,405,069
NET ASSETS			
 CAPITAL AND RESERVES			
Share capital	27	11,872,683	11,872,683
Reserves		(986,876)	(869,362)
		10,885,807	11,003,321
Non-controlling interests		5,442,149	5,401,748
		16,327,956	16,405,069
		16,327,956	16,405,069
TOTAL EQUITY			

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

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2024 (unaudited)
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company														
	Share capital HK\$'000	Shares held by share award scheme HK\$'000	Share-based payment reserve HK\$'000	Asset revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value Reserve (non- recycling) HK\$'000	Hedging reserve HK\$'000	Exchange reserve HK\$'000	Statutory and capital reserve HK\$'000	Insurance finance reserve HK\$'000	Reinsurance finance reserve HK\$'000	Retained earnings/ (Accumulated loss) HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 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 six months ended 30 June 2023:															
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	137,935	137,935	129,004	266,939
Other comprehensive income for the period	-	-	-	-	303,803	7,314	-	(24,459)	-	(426,413)	15,771	-	(123,984)	(48,345)	(172,329)
Equity settled share-based transactions	-	-	(1,575)	-	-	-	-	-	-	-	-	-	(1,575)	-	(1,575)
Balance at 30 June 2023 and 1 July 2023	11,872,683	(83,230)	-	1,538	(2,678,259)	(14,919)	-	9,111	67,661	3,644,027	81,503	(1,880,409)	11,019,706	5,335,027	16,354,733
Changes in equity for the six months ended 31 December 2023:															
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	259,229	259,229	186,739	445,968
Other comprehensive income for the period	-	-	-	-	637,880	409	24,731	(15,042)	-	(975,758)	52,166	-	(275,614)	(120,018)	(395,632)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	-	-	-	14,510	-	-	-	-	-	(14,510)	-	-	-
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 six months ended 30 June 2024:															
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	200,994	200,994	175,448	376,442
Other comprehensive income for the period	-	-	-	-	(739,838)	-	(78,931)	(11,681)	-	469,996	41,946	-	(318,508)	(135,047)	(453,555)
Balance at 30 June 2024	11,872,683	(83,230)	-	1,538	(2,780,217)	-	(54,200)	(17,612)	67,661	3,138,265	175,615	(1,434,696)	10,885,807	5,442,149	16,327,956

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

Condensed consolidated statement of cash flows for the six months ended 30 June 2024 (unaudited)

(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Net cash generated from operating activities	834,370	19,063
Payment for purchase of property and equipment	(38,424)	(17,322)
Payment for purchase of intangible assets	-	(15,000)
Fixed bank deposits with original maturity over 3 months	85,944	619,068
Other investing activities	13	1
	47,533	586,747
Net cash generated from investing activities	47,533	586,747
Drawdown of bank borrowings	1,400,000	-
Repayment of bank borrowings	(1,400,000)	-
Payment made for redemption of preference shares by a subsidiary	(67,227)	-
Policyholders' account deposits related to investment contracts	76,842	28,152
Policyholders' account withdrawals related to investment contracts	(164,994)	(19,637)
Other financing activities	(134,269)	(103,203)
	(289,648)	(94,688)
Net cash used in financing activities	(289,648)	(94,688)
Net increase in cash and cash equivalents	592,255	511,122
Cash and cash equivalents at 1 January	3,973,788	2,547,902
Effect of foreign exchange rate changes	(1,145)	291
	4,564,898	3,059,315
Cash and cash equivalents at 30 June		

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

Notes to the condensed consolidated interim financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Yunfeng Financial Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Rooms 1803-1806, 18th Floor, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong. The condensed consolidated interim financial statements for the period ended 30 June 2024 comprises the Company and its subsidiaries (collectively the “Group”) and the Group’s interest in associates and a joint venture.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company’s audit committee and the Company’s independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial statements has been approved for issuance by the Board on 29 August 2024.

The financial information relating to the financial year ended 31 December 2023 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 Basis of preparation

(a) *Statement of compliance*

The condensed consolidated interim financial statements for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA. The condensed consolidated interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The presentation of the condensed consolidated statement of cash flows has been aligned with the presentation in the audited consolidated financial statements for the year ended 31 December 2023 by reclassifying investment-related cash flows as operating activities, comparative figures are adjusted accordingly to achieve consistent presentation.

(b) *Basis of measurement*

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

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

(c) *Use of estimates and judgements*

The preparation of condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2 Basis of preparation (continued)

(d) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

3 Material accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2023, as disclosed in the annual report and financial statements for the year ended 31 December 2023.

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

Amendments to HKAS 1	<i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>
Amendments to HKAS 1	<i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>
Amendments to HKFRS 16	<i>Leases: Lease liability in a sale and leaseback</i>
Amendments to HKAS 7 and HKFRS 7	<i>Statement of cash flows and Financial instruments: Disclosures – Supplier finance arrangements</i>

The adoption of the amended HKFRSs for the current accounting period has no material impacts on the condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Insurance and financial risk management

(a) *Risk management objectives and policies for mitigating insurance and financial risk*

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

(i) Insurance risks

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

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to ensure appropriate risk selection within the portfolio. Adherence to the underwriting authorities is monitored through a scheduled underwriting audit. In addition, the Group has an Underwriting Committee to establish policies and procedures to supervise and assess the insurance risks and to periodically review and monitor the overall underwriting management process. The Group also has a Claims Settlement Committee to establish policies and procedures to supervise the claims settlement policy. The committee monitors the adequacy of the Group's reserves for the settlement of claims, reviews significant claims or major events, and investigates any fraudulent claims.

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

(ii) Financial risks

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

4 Insurance and financial risk management (continued)

(1) Credit risk

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

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

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

At 30 June 2024, none of the Group's debt securities represented investments in asset-backed and mortgage-backed securities in the United States of America and People's Republic of China ("the PRC") which are exposed to sub-prime credit risks. The Group does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees.

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

With respect to the insurance and reinsurance contract assets, the Group is exposed to the credit risk that the amounts due under insurance and reinsurance contracts may not be paid. In respect of other loans to agents and staff, management monitors the repayment status on an ongoing basis. Other unsecured receivables mainly comprise accrued interest income on debt securities, where the credit risks are limited by the diversification of its investment portfolio as mentioned above.

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

4 Insurance and financial risk management (continued)

(2) Liquidity risk

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

(3) Interest rate risk

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

(4) Currency risk

The Group's currency exchange risk is mainly related to certain policies that are not written in the United States dollars. However, most of the policies are denominated in the United States dollars. As the Group's investments are primarily made in the United States dollars, coupled with the fact that the Hong Kong dollars are pegged to the United States dollars, management does not believe that the currency risk is material. For investments made in non-United States dollars, the Group mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimise currency risk for certain non-United States dollar assets and liabilities through a prespecified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates.

(5) Equity price risk

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

The portfolio of unit trusts backing linked insurance contracts, which the Group carries on its condensed consolidated statement of financial position at fair value, has exposure to price risk. However, such price risk is fully borne by the policyholders as the benefits payable are linked to the price of the securities.

The portfolio of unit trusts backing non-linked insurance contracts, which the Group carries on its condensed consolidated statement of financial position at fair value, also has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

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

4 Insurance and financial risk management (continued)

(b) Fair value measurement

(1) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
Level 3 valuations:	Fair value measured using significant unobservable inputs

The Group has established and maintained policies and guidelines that govern its valuation methodologies and their consistent application. These policies and guidelines address the use of inputs, price source hierarchies and provide controls around the valuation processes.

These controls include appropriate review and analysis of prices against market activity or indicators for reasonableness, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. The valuation policies and guidelines are reviewed and updated as appropriate.

Annually, the Group conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While the Group was not provided access to proprietary models of the vendors, the reviews have included on-site walkthroughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process the Group continues to perform for each reporting period.

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

4 Insurance and financial risk management (continued)

The Group reviews the fair value hierarchy classification at each reporting period. Overall, reclassifications between levels occur when there are changes in the observability of inputs and market activity used in the valuation of a financial asset or liability. Such reclassifications are reported as transfers between levels at the beginning of the reporting period in which the changes occur. Given the types of assets classified as Level 1 (primarily debt securities and unit trust), transfers between Level 1 and Level 2 measurement categories are expected to be infrequent. There were no such transfers during any period presented. Transfers into and out of Level 3 are summarised in the schedule of changes in Level 3 assets and liabilities.

The fair value of short-term debt instruments, maturity less than 30 days, is assumed to be equal to the book value. The Group generally uses unadjusted quotable market prices from independent brokers, when available, to determine the fair value of debt instruments with a maturity greater than 30 days.

	Fair value measurements as at 30 June 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 funds	-	-	207,655	-	-	306,693
- Listed equity	508,896	-	-	276,593	-	-
- Unlisted equity and other securities	-	-	2,749,149	-	-	2,696,894
- Leveraged and structured note investment	36,285	5,356,509	159,591	38,393	3,097,506	241,834
- Unit trust	2,348,911	5,936,515	472,978	2,152,118	5,975,295	459,950
- Interest in a joint venture	-	-	109,069	-	-	115,725
- Mutual fund	-	334	-	-	327	-
Financial asset at fair value through other comprehensive income						
- Debt securities	2,352,897	18,270,806	3,554,038	2,466,600	19,557,856	3,734,145
Derivative financial instruments						
- Currency swaps	-	125,182	-	-	147,925	-
- Forward contracts	-	3,782	-	-	1,992	-
- Bond forward	-	-	-	-	70,756	-
Liabilities						
Derivative financial instruments						
- Currency swaps	-	(31,642)	-	-	(15,416)	-
- Forward contracts	-	(7,648)	-	-	(6,178)	-
- Collateral	-	(80,646)	-	-	(184,126)	-
- Bond forward	-	(77,735)	-	-	(35,269)	-
Non-derivative financial instruments						
- Preference share liability	-	-	(34,767)	-	-	(101,873)
- Third-party interests in consolidated funds	-	-	(80,250)	-	-	(118,488)
- Short position in listed equity	(152,700)	-	-	(57,014)	-	-
Investment contract liabilities	-	(4,569,483)	-	-	(4,588,215)	-

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 during the period (For the six months ended 30 June 2023: there were no transfers between Level 1 and Level 2, and there were transfers into Level 3 which are due to lack of observable market data as compared to the previous period). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

4 Insurance and financial risk management (continued)

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements for those insurance contract related assets and liabilities

The Group determines the estimated fair value of its investments using primarily the market approach or the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The Group attempts to maximise the use of observable inputs and minimise the use of unobservable inputs in selecting whether the market or the income approach is used.

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts. For the periods presented, there were no significant changes to the Group's valuation techniques.

For level 2 debt securities, valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spreads versus the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

For level 2 corporate securities, valuations are based primarily on quoted prices in markets that are not active, broker quotes or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads versus benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities.

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

For level 2 derivative financial instrument, observable significant inputs to the valuation of derivative financial instruments include Overnight Indexed Swap basis curves, interest rate volatility, swap yield curve, currency spot rates, cross currency basis curves and dividend yield curves.

4 Insurance and financial risk management (continued)

Information about Level 3 fair value measurements

	Valuation techniques HK\$'000	Significant unobservable inputs HK\$'000	Range		Weighted average HK\$'000
			Min HK\$'000	Max HK\$'000	
Financial assets:					
Financial asset at fair value through profit or loss					
- Partnership investment	Net asset value	Net asset value	NA	NA	NA
- Unit trusts	Net asset value	Net asset value	NA	NA	NA
Financial asset at fair value through other comprehensive income:					
- Corporate securities	Matrix pricing and DCF	Credit spread	55BPS (31 December 2023: 85BPS)	929BPS (31 December 2023: 929BPS)	148BPS (31 December 2023: 156BPS)

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

Partnership interest – The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group. As at 30 June 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\$264,151,000 (31 December 2023: HK\$254,874,000).

Unit trusts - The fair value estimation is based on the net asset value attributable to the Group determined by the respective fund managers. At 30 June 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\$47,298,000 (31 December 2023: HK\$45,995,000).

4 Insurance and financial risk management (continued)

Corporate securities - Internally-priced corporate securities classified in Level 3 include certain below investment grade watch list and distressed fixed maturity securities. For securities where discounted cash flows are used, the primary unobservable input is the internally-developed discount rate. Significant increases in the discount rate would result in a significantly lower fair value, with the opposite being true for decreases in the discount rate. In certain cases, the Group uses an estimated liquidation value of the borrower or underlying assets. The Group also applies market comparables, such as earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples for certain securities. In isolation, an increase in the value of these inputs would result in an increase in fair value, with the opposite being true for decreases in the value of these inputs. As at 30 June 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 and other comprehensive income by HK\$981,000 and HK\$184,220,000 respectively (31 December 2023: HK\$1,032,000 and HK\$203,257,000 respectively).

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

Information about Level 3 investment

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

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

Fund investments - the fair value of private debt securities investment fund and interest in a joint venture holding is based on the net asset value attributable to the Group determined by the respective fund managers. If such net asset value attributable to the Group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the Group.

4 Insurance and financial risk management (continued)

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

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

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

Change in the relevant equity price risk variable:	30 June 2024		31 December 2023	
	%	Effect on profit after tax and retained profit HK\$'000	%	Effect on profit after tax and retained profit HK\$'000
Unlisted equity				
Increase	3	431	3	1,025
Decrease	(3)	(432)	(3)	(1,030)
Joint controlled entity				
Increase	10	10,907	10	11,572
Decrease	(10)	(10,907)	(10)	(11,572)
Private credit funds				
Increase	10	20,766	10	30,669
Decrease	(10)	(20,766)	(10)	(30,669)
Preference share liability				
Increase	10	-	10	-
Decrease	(10)	-	(10)	-
Third party interest in consolidated fund				
Increase	10	(7,124)	10	(10,522)
Decrease	(10)	7,124	(10)	10,522

4 Insurance and financial risk management (continued)

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

Financial assets at fair value through profit or loss

	2024 HK\$'000	2023 HK\$'000
At 1 January	3,821,096	3,709,622
Purchase/capital injection	216,351	157,441
Settlement on disposal and redemption of products	(277,689)	(59,135)
Net realised gain/(loss) to profit or loss	72,549	(4,605)
Net unrealised loss to profit or loss	(138,125)	(23,902)
Exchange alignment	4,260	12,520
	<u>3,698,442</u>	<u>3,791,941</u>
At 30 June	<u>3,698,442</u>	<u>3,791,941</u>

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

	2024 HK\$'000	2023 HK\$'000
At 1 January	3,734,145	3,513,189
Transfer-in on initial application of HKFRS 17 and related redesignation of financial assets	-	592,284
Transfer-out on initial application of HKFRS 17 and related redesignation of financial assets	-	(24,176)
Purchase	72,117	-
Settlements	(172,729)	(131,082)
Net realised (loss)/gain to profit or loss	(60,886)	11,283
Net unrealised loss to other comprehensive income	(16,480)	(19,828)
Transfer into level 3	-	347
Exchange alignment	(2,129)	12,122
	<u>3,554,038</u>	<u>3,954,139</u>
At 30 June	<u>3,554,038</u>	<u>3,954,139</u>

Financial liabilities at fair value through profit or loss

	2024 HK\$'000	2023 HK\$'000
At 1 January	220,361	236,362
Share redeemed	(67,163)	-
Distribution to third party investor	(38,297)	-
Fair value change	116	(4,425)
	<u>115,017</u>	<u>231,937</u>
At 30 June	<u>115,017</u>	<u>231,937</u>

4 Insurance and financial risk management (continued)

(2) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 30 June 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 30 June 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	29,576,414	26,684,306	2,281,637	23,056,640	1,346,029
Mortgage loans	4,797,051	4,396,366	-	-	4,396,366
	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
Mortgage loans	4,940,090	4,556,018	-	-	4,556,018

Mortgage loans - The fair value of mortgage loans is established using a discounted cash flow method based on credit rating, maturity and future income. The fair value for impaired mortgage loans is based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) to the fair value.

5 Insurance revenue

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Contract not measured under PAA		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided	348,901	346,575
- Change in risk adjustment for non-financial risk for risk expired	(12,392)	(6,533)
- Expected incurred claims and other insurance service expenses	472,768	433,244
Recovery of insurance acquisition cash flows	387,410	345,385
	1,196,687	1,118,671
Contract measured under PAA	180,847	138,317
	1,377,534	1,256,988

6 Net financial result

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

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Investment return		
Interest revenue calculated using the effective interest method	1,594,422	1,399,226
Other investment revenue	381,659	133,031
Net impairment loss on financial assets	(3,144)	(62,254)
Investment-related amounts recognised in other comprehensive income	(1,199,045)	330,206
Total investment return	773,892	1,800,209
Net finance expenses from insurance contracts		
Change in fair value of underlying items	(460,929)	(236,693)
Interest accreted	(1,229,939)	(1,203,810)
Effect of changes in interest rates and other financial assumptions	811,698	(374,123)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(55,138)	(54,373)
Net foreign exchange (loss)/gain	(10,735)	121,406
Total net finance expenses from insurance contracts	(945,043)	(1,747,593)
Net finance income from reinsurance contracts		
Interest accreted	141,370	147,702
Others	(3,428)	(60,118)
Total net finance income from reinsurance contracts	137,942	87,584
Movement in investment contract liabilities	(109,285)	(113,900)
Movement in third party interests consolidated funds	(60)	4,895
Net financial results	(142,554)	31,195
Represented by		
Amounts recognised in profit or loss	310,959	318,848
Amounts recognised in other comprehensive income	(453,513)	(287,653)
	(142,554)	31,195
Insurance finance income and expenses		
Net finance expenses from insurance contracts		
Amounts recognised in profit or loss	(1,628,587)	(1,089,654)
Amounts recognised in other comprehensive income	683,544	(657,939)
	(945,043)	(1,747,593)
Net finance income from reinsurance contracts		
Amounts recognised in profit or loss	75,954	47,504
Amounts recognised in other comprehensive income	61,988	40,080
	137,942	87,584

6 Net financial result (continued)

Interest revenue calculated using the effective interest method, other investment revenue and net impairment loss on financial assets

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
Related to insurance business	HK\$'000	HK\$'000
Interest income from unlisted debt securities and mortgage loans	1,496,864	1,342,347
Bank and other interest income	74,470	28,338
Net realised gain on disposal of securities measured at fair value through profit or loss	4,351	109,248
Net unrealised gain on financial asset and financial liabilities measured at fair value through profit or loss	360,599	107,041
Net realised gain/(loss) on fair value through other comprehensive income and amortised cost debt securities	13,021	(12,370)
Impairment loss of amortised cost debt securities	(5,492)	(80,811)
Reversal of impairment loss of fair value through other comprehensive income debt securities	2,348	18,557
Dividend income	155,629	94,172
Net derivative loss	(97,491)	(133,087)
Investment incentive rebate	799	15,478
Other income	2,122	1,328
	<u>2,007,220</u>	<u>1,490,241</u>

The realised gain on disposal of securities measured at fair value through profit or loss, fair value through other comprehensive income and amortised cost was HK\$114,683,000 (30 June 2023: HK\$59,538,000) during the period, which are related to insurance contracts with direct participation features (i.e. measured under the variable fee approach).

6 Net financial result (continued)

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Related to other financial services		
Bank and other interest income	22,844	17,413
Interest income from unlisted debt securities and mortgage loans	244	11,128
Net realised gain on disposal of securities measured at fair value through profit or loss	48,565	26,137
Net unrealised loss on financial asset and financial liabilities measured at fair value through profit or loss	(114,492)	(92,262)
Dividend income	9,384	7,284
Net derivative (loss)/gain	(828)	10,062
	(34,283)	(20,238)

7 Revenue from investment management and other financial services

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Brokerage commission, interest and other service income	8,399	12,490
Subscription, management and rebate fee income	1,883	1,854
Management fee for investment contracts	11,002	13,494
	21,284	27,838

8 Other income

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Net gain on deemed partial disposal of associates	-	463
Trustee fee income	18,830	18,138
Government subsidies (Note)	36,740	2,101
Other income	14,700	9,432
	70,270	30,134

Note: The balance mainly represents the financial incentive offered by the Mandatory Provident Fund Schemes Authority to the first trustee to get onboard the eMPF Platform, an electronic MPF administration and management platform.

9 Expenses

	<i>Six months ended 30 June</i>	
	2024 HK\$'000	2023 HK\$'000
Claims and benefits	429,670	457,940
Fees and commissions	828,563	1,407,053
Losses and reversal of losses on onerous insurance contracts	21,571	(8,174)
Staff costs	254,994	237,533
Legal and professional costs	3,038	5,854
Depreciation and amortisation on property and equipment and other intangible assets	98,814	90,540
Impairment loss/(reversal) on:		
- Other accounts receivable	259	1,885
- Other receivables	14,171	(7)
Information, data and communication expenses	11,391	14,803
Net exchange loss	(101)	(1,150)
Movement in other contract assets	(5,309)	(10,054)
Others	182,029	215,304
Amounts attributed to insurance acquisition cash flows incurred during the period	(1,045,069)	(1,601,694)
Amortisation of insurance acquisition cash flows	419,086	386,703
	<u>1,213,107</u>	<u>1,196,536</u>
Represented by		
Insurance service expenses	1,040,454	1,011,170
Other operating expenses	172,653	185,366
	<u>1,213,107</u>	<u>1,196,536</u>

10 Other finance costs

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Bank loan interest	49,788	44,241
Interest on lease liabilities	2,862	225
Interest of preference share liability	2,721	3,146
Other interest expense	3,402	2,854
Shareholder's loan interest	55,889	41,504
	114,662	91,970
	114,662	91,970

11 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	2024	2023
	HK\$'000	HK\$'000
Current tax		
<u>Hong Kong</u>		
Provision for the period	35,776	28,598
Under-provision in respect of prior years	-	62
<u>Overseas</u>		
Provision for the period	52,938	53,268
Over-provision in respect of prior years	(5,927)	(2,139)
	82,787	79,789
Deferred tax		
Origination and reversal of temporary differences	(21,788)	(5,236)
	60,999	74,553
	60,999	74,553

11 Income tax in the consolidated income statement (continued)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, 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.

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

12 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 of HK\$200,994,000 (the profit attributable to equity shareholders for the six months ended 30 June 2023: HK\$137,935,000), and the weighted average number of shares in issue during the period ended 30 June 2024 of 3,852,570,006 (30 June 2023: 3,852,570,006).

There were no potential dilutive ordinary shares for the six months ended 30 June 2024 therefore basic earnings per share equals to diluted earnings per share (six months ended 30 June 2023: basic earnings per share equals to diluted earnings per share).

13 Dividend

The Board did not declare the payment of an interim dividend in respect of six months ended 30 June 2024 (2023: Nil).

14 Segment reporting

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns different from those of other operating segments.

As disclosed in the 2023 annual report, the Group is largely dominated by the insurance business after the completion of the YF Life acquisition. As a result, management decided to streamline and regroup the operating segments. Insurance business is considered as an operating segment and other operating segments that existed prior to the acquisition are consolidated as other financial services and corporate to reflect the long term business development focus.

14 Segment reporting (continued)

Consequently, the Group currently has two operating segments:

- (i) Insurance business — engage in the writing of long term insurance business
- (ii) Other financial services and corporate includes
 - a) Securities brokerage – engages in securities brokerage and provision of custodian and other services;
 - b) Asset management – provision of funds and asset management services as well as financing and investing solution for clients;
 - c) Consultancy and advisory services – provision of corporate advisory, placing and underwriting advisory services to clients;
 - d) Principal investment – utilise capital 1) to provide funding on developing financial products and the funds managed by wealth management team and 2) to improve returns on the Group’s capital and cash flow management based on treasury management model that may involve (but shall not be limited to) holding fixed income instruments, high quality equity instruments and other financial investments;
 - e) Financial technology – provision of technology business solution including system setup, upgrade and enhancement to clients; and
 - f) Corporate service includes central administrative and financing functions to support other operating segments.

The accounting policies of the reportable segments are the same as those followed by the Group in the last annual financial statements.

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating and finance costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision maker, at the relevant times, for the purposes of resource allocation and performance assessment.

14 Segment reporting (continued)

(a) Segment revenue and results

For the period ended 30 June 2024

	<i>Insurance business</i> HK\$'000	<i>Other financial services and corporate</i> HK\$'000	<i>Total</i> HK\$'000
Insurance revenue	1,377,534	-	1,377,534
Insurance service expenses	(1,040,454)	-	(1,040,454)
Net expenses from reinsurance contracts	(11,429)	-	(11,429)
Insurance service result	325,651	-	325,651
Allocated revenue from investment management and other financial services	11,002	10,282	21,284
Revenue from external party	336,653	10,282	346,935
Inter-segment income	834	-	834
Reportable segment revenue	337,487	10,282	347,769
Allocated investment return	2,007,220	(34,283)	1,972,937
Net finance expenses from insurance contracts	(1,628,587)	-	(1,628,587)
Net finance income from reinsurance contracts	75,954	-	75,954
Movement in investment contract liabilities	(109,285)	-	(109,285)
Movement in financial liabilities related to third party interest in consolidated funds	-	(60)	(60)
Allocated other income	69,441	829	70,270
Allocated operating costs	(107,510)	(68,177)	(175,687)
Allocated finance costs	(2,764)	(6,221)	(8,985)
Share of profit of equity-accounted investees, net of tax	-	(3,408)	(3,408)
Reportable segment profit/(loss)	641,956	(101,038)	540,918
Elimination of inter-segment loss			2,200
Reportable segment profit derived from Group's external customers			543,118
Unallocated finance costs			(105,677)
Taxation			(60,999)
Profit for the period			376,442
As at 30 June 2024			
Reportable assets	89,095,786	2,335,787	91,431,573
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	4,971,276	766,735	5,738,011
Reportable liabilities	(72,768,127)	(4,088,531)	(76,856,658)
As at 31 December 2023			
Reportable assets	85,805,269	2,523,185	88,328,454
Cash and cash equivalents and fixed bank deposits with original maturity over 3 months	4,309,864	923,058	5,232,922
Reportable liabilities	(69,681,193)	(4,062,881)	(73,744,074)

14 Segment reporting (continued)

For the period ended 30 June 2023

	<i>Insurance business</i> HK\$'000	<i>Other financial services and corporate</i> HK\$'000	<i>Total</i> HK\$'000
Insurance revenue	1,256,988	-	1,256,988
Insurance service expenses	(1,011,170)	-	(1,011,170)
Net expenses from reinsurance contracts	(1,012)	-	(1,012)
Insurance service result	244,806	-	244,806
Allocated revenue from investment management and other financial services	13,494	14,344	27,838
Revenue from external party	258,300	14,344	272,644
Inter-segment income	677	-	677
Reportable segment revenue	258,977	14,344	273,321
Allocated investment return	1,490,241	(20,238)	1,470,003
Net finance expenses from insurance contracts	(1,089,654)	-	(1,089,654)
Net finance income from reinsurance contracts	47,504	-	47,504
Movement in investment contract liabilities	(113,900)	-	(113,900)
Movement in financial liabilities related to third party interest in consolidated funds	-	4,895	4,895
Allocated other income	29,141	993	30,134
Allocated operating costs	(120,673)	(66,870)	(187,543)
Allocated finance costs	-	(6,226)	(6,226)
Share of profit of equity-accounted investees, net of tax	-	(2,798)	(2,798)
Reportable segment profit/(loss)	501,636	(75,900)	425,736
Elimination of inter-segment loss			1,500
Reportable segment profit derived from Group's external customers			427,236
Unallocated finance costs			(85,744)
Taxation			(74,553)
Profit for the period			266,939

14 Segment reporting (continued)

(b) Geographical segment information

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

(c) Information about major customers

No customer account for more than 10% of the total revenue of the Group for the period ended 30 June 2024 and 2023.

(d) Net operating income

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

Insurance business segment

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

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

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

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

14 Segment reporting (continued)

Other financial service segment

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

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

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

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

	<i>For the six months period ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	HK\$'000	HK\$'000
Net operating income	559,800	497,525
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	(84,900)	(101,900)
- Other items	92,800	(11,300)
Other financial services		
- Investment return related to principal investment activity	(86,800)	(33,873)
- Finance costs related to long term borrowings	(105,677)	(85,744)
- Staff share award/option related expenses	-	1,575
- Other items	1,219	656
Profit for the period	376,442	266,939

15 Property and equipment

During the six months ended 30 June 2024, the Group acquired approximately HK\$38 million of property and equipment. Further, the Group entered into a number of lease agreements for right of use of assets and recognise the additional in ownership interests in leasehold land and building held for own use of HK\$24 million.

16 Investments

	<i>At fair value through other comprehensive income HK\$'000</i>	<i>At fair value through profit or loss HK\$'000</i>	<i>Amortised cost HK\$'000</i>	<i>Total HK\$'000</i>
At 30 June 2024				
Debt securities	24,177,741	5,552,385	29,576,414	59,306,540
Mortgage loans	-	-	4,797,051	4,797,051
	<u>24,177,741</u>	<u>5,552,385</u>	<u>34,373,465</u>	<u>64,103,591</u>
Equity securities:				
- Listed	-	508,896	-	508,896
- Unlisted	-	107,643	-	107,643
	<u>-</u>	<u>616,539</u>	<u>-</u>	<u>616,539</u>
Fund investment and others:				
- Unlisted (note (a))	-	2,958,564	-	2,958,564
	<u>-</u>	<u>2,958,564</u>	<u>-</u>	<u>2,958,564</u>
Unit trusts:				
- Unlisted	-	8,758,404	-	8,758,404
	<u>-</u>	<u>8,758,404</u>	<u>-</u>	<u>8,758,404</u>
Derivative assets	-	128,964	-	128,964
	<u>-</u>	<u>128,964</u>	<u>-</u>	<u>128,964</u>
Total	<u><u>24,177,741</u></u>	<u><u>18,014,856</u></u>	<u><u>34,373,465</u></u>	<u><u>76,566,062</u></u>
Market value of listed securities	<u>-</u>	<u>508,896</u>	<u>-</u>	<u>508,896</u>

16 Investments (continued)

	<i>At fair value through other comprehensive income</i> HK\$'000	<i>At fair value through profit or loss</i> HK\$'000	<i>Amortised cost</i> HK\$'000	<i>Total</i> HK\$'000
At 31 December 2023				
Debt securities	25,758,601	3,377,733	27,845,905	56,982,239
Mortgage loans	-	-	4,940,090	4,940,090
	<u>25,758,601</u>	<u>3,377,733</u>	<u>32,785,995</u>	<u>61,922,329</u>
Equity securities:				
- Listed	-	276,593	-	276,593
- Unlisted	-	148,150	-	148,150
	<u>-</u>	<u>424,743</u>	<u>-</u>	<u>424,743</u>
Fund investment and others:				
- Unlisted (note (a))	-	2,971,489	-	2,971,489
	<u>-</u>	<u>2,971,489</u>	<u>-</u>	<u>2,971,489</u>
Unit trusts:				
- Unlisted	-	8,587,363	-	8,587,363
	<u>-</u>	<u>8,587,363</u>	<u>-</u>	<u>8,587,363</u>
Derivative assets	-	149,917	-	149,917
Derivative assets designated as hedging instruments	70,756	-	-	70,756
	<u>70,756</u>	<u>-</u>	<u>-</u>	<u>70,756</u>
Total	<u><u>25,829,357</u></u>	<u><u>15,511,245</u></u>	<u><u>32,785,995</u></u>	<u><u>74,126,597</u></u>
Market value of listed securities	<u>-</u>	<u>276,593</u>	<u>-</u>	<u>276,593</u>

16 Investments (continued)

Notes:

- (a) On 28 February 2018, the Group has entered a strategic fund management agreement with another well-established financial institution. By sharing the operating and financing decision making power through the agreement, the Group is no longer considered to be the principal of Majik Access USD Fund 2 LP. After the deconsolidation, the Group elects to measure its 34.04% investment holding in Majik Access USD Fund 2 LP held through a venture capital organisation, an indirect wholly-owned subsidiary, at fair value through profit or loss as management measures the performance of this jointly controlled entity on a fair value basis and considered to be exempted from applying the equity method. The valuation process and fair value information for the joint venture measured at fair value through profit or loss set out in note 4. As of 30 June 2024, the carrying value of the jointly controlled entity amounted to HK\$109 million (31 December 2023: HK\$115 million).
- (b) Certain fund and other investments of HK\$20,065,884,000 (31 December 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.
- (c) Interests in collective investment schemes
- (i) Included in financial assets measured at fair value through profit or loss on the condensed consolidated statement of financial position are certain investments in collective investment schemes which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These collective investment schemes include investments in unit trusts and limited liability partnership established by third parties. These schemes provide the Group with a variety of investment opportunities through managed investment strategies.

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

- (ii) In addition, the Group's subsidiary, YF Life Trustees Limited is the sponsor of Mass Mandatory Provident Fund scheme ('MPF scheme') as specified in the respective trust deeds. Management fee and trustee fee income that the Group recognised in profit or loss in return for the administration services provided to MPF scheme that the Group sponsored amounted to HK\$20,971,000 (for six months ended 30 June 2023: HK\$20,149,000).

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

17 Other accounts receivable and accrued income

	<i>At 30 June</i>	<i>At</i>
	<i>2024</i>	<i>31 December</i>
	HK\$'000	HK\$'000
Other accounts receivable arising from securities brokerage:		
- Cash clients	61,633	42,391
- Margin clients	4,858	27,016
- Clearing house, brokers, fund managers and dealers	34,197	41,313
	<u>100,688</u>	<u>110,720</u>
Other accounts receivable arising from consultancy and advisory services	1,134	1,134
Other service fees receivables	7,890	5,244
	<u>109,712</u>	<u>117,098</u>
Less: allowance for credit losses	(4,197)	(3,938)
	<u><u>105,515</u></u>	<u><u>113,160</u></u>

The fair value of other accounts receivable approximates its carrying amount.

(a) Ageing analysis of other accounts receivable

The ageing analysis of other accounts receivable net of credit losses as at the end of the reporting period is as follows:

	<i>At 30 June</i>	<i>At 31</i>
	<i>2024</i>	<i>December</i>
	HK\$'000	HK\$'000
Current	<u>105,210</u>	<u>112,690</u>
Less than 1 month past due	136	66
1 to 3 months past due	169	21
More than 3 months past due	-	383
Amounts past due	<u>305</u>	<u>470</u>
	<u><u>105,515</u></u>	<u><u>113,160</u></u>

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness. During the period, there were allowance for credit losses of HK\$259,000 (for six months ended 30 June 2023: HK\$1,905,000), no allowance for credit losses recovered (for six months ended 30 June 2023: HK\$20,000) and no other accounts receivable written off (for six months ended 30 June 2023: HK\$58,000).

17 Other accounts receivable and accrued income (continued)

(b) Balance with related parties

At 30 June 2024, the balance of other service fee receivables includes fund management fee of approximately HK\$2,414,000 (31 December 2023: HK\$1,592,000) due from a joint venture of the Group.

18 Other receivables, deposits and prepayments

	<i>Note</i>	<i>At 30 June 2024 HK\$'000</i>	<i>At 31 December 2023 HK\$'000</i>
Utility and rental deposits	(i)	43,933	43,464
Loans to agents and staff		63,782	68,758
Accrued investment income		803,825	745,860
Prepayments, other receivables and other deposits		232,816	131,407
Other receivable from non-controlling shareholders of a subsidiary		6,643	6,643
		1,150,999	996,132
Less: allowance for credit losses	(iii)	(22,587)	(8,416)
		1,128,412	987,716

Notes:

- (i) The amount of utility and rental deposits expected to be recovered after more than one year is HK\$39,306,000 (31 December 2023: HK\$39,312,000).
- (ii) Except for those mentioned above in (i), all of the other receivables are expected to be recovered within one year.
- (iii) During the period, there were HK\$14,171,000 credit losses made (for six months ended 30 June 2023: HK\$6,000 reversal of credit losses made) and foreign exchange gain of HK\$Nil (for six months ended 30 June 2023: HK\$1,000) to allowance for credit losses.

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

	<i>Note</i>	<i>At 30 June 2024 HK\$'000</i>	<i>At 31 December 2023 HK\$'000</i>
Bank balance - trust and segregated accounts			
Deposit with bank	(i)	299,686	295,320
Less: impairment allowance		(154)	(154)
		<u>299,532</u>	<u>295,166</u>
Fixed bank deposits with original maturity over 3 months			
Deposit with bank	(iii)	1,173,113	1,259,134
Less: impairment allowance		-	-
		<u>1,173,113</u>	<u>1,259,134</u>
Cash and cash equivalents			
Deposit with bank	(ii)	22,925	26,655
Fixed bank deposits with original maturity less than 3 months		2,285,321	2,633,265
Cash at bank and in hand		2,256,766	1,313,982
Less: impairment allowance		(114)	(114)
		<u>4,564,898</u>	<u>3,973,788</u>
Cash and cash equivalents in the condensed consolidated statement of financial position		<u>4,564,898</u>	<u>3,973,788</u>

Notes:

- (i) The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.
- (ii) The Group has made deposit with a bank as security deposit for bank facilities.
- (iii) As at 30 June 2024, the Group has pledged fixed deposits of HK\$956,378,000 (31 December 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.

20 Insurance and reinsurance contracts

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Insurance contracts		
Insurance contract liabilities		
- Insurance contract balances	66,934,138	63,579,853
- Assets for insurance acquisition cash flows	(2,767)	(2,409)
	66,931,371	63,577,444
Reinsurance contracts		
Reinsurance contract assets	(6,581,905)	(6,517,666)

(a) Insurance contracts

Analysis by remaining coverage and incurred claims of insurance contracts

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Insurance contract liabilities		
Insurance contract balances		
- Liabilities for remaining coverage excluding loss component	65,996,663	62,642,953
- Loss component	321,360	373,288
- Liabilities for incurred claims	616,115	563,612
	66,934,138	63,579,853
Assets for insurance acquisition cash flows	(2,767)	(2,409)
	66,931,371	63,577,444

20 Insurance and reinsurance contracts (continued)

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

	<i>At 30 June</i> 2024 HK\$'000	<i>At</i> 31 December 2023 HK\$'000
Insurance contract liabilities		
Insurance contract balances		
- Estimates of present value of future cash flows	57,218,389	53,686,315
- Risk adjustment for non-financial risk	1,628,588	1,688,580
- CSM	7,975,328	8,099,761
	<u>66,822,305</u>	<u>63,474,656</u>
Assets for insurance acquisition cash flows	(2,767)	(2,409)
	<u>66,819,538</u>	<u>63,472,247</u>

(b) Reinsurance contracts

Analysis by remaining coverage and incurred claims of reinsurance contracts

	<i>At 30 June</i> 2024 HK\$'000	<i>At</i> 31 December 2023 HK\$'000
Reinsurance contract assets		
Reinsurance contract balances		
- Assets for remaining coverage excluding loss recovery component	6,434,702	5,747,748
- Loss recovery component	128,633	181,667
- Assets for incurred claims	18,570	588,251
	<u>6,581,905</u>	<u>6,517,666</u>

20 Insurance and reinsurance contracts (continued)

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

	<i>At 30 June</i>	<i>At</i>
	<i>2024</i>	<i>31 December</i>
	HK\$'000	2023
		HK\$'000
Reinsurance contract assets		
Reinsurance contract balances		
- Estimates of present value of future cash flows	5,556,323	5,499,772
- Risk adjustment for non-financial risk	126,445	119,479
- CSM	871,257	876,168
	<u>6,554,025</u>	<u>6,495,419</u>

(c) Assets for insurance acquisition cash flows

	<i>At 30 June</i>	<i>At</i>
	<i>2024</i>	<i>31 December</i>
	HK\$'000	2023
		HK\$'000
Presented in insurance contract assets	-	-
Presented in insurance contract liabilities	2,767	2,409
	<u>2,767</u>	<u>2,409</u>

20 Insurance and reinsurance contracts (continued)

(d) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

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

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

Estimates of future cash flows

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

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

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

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

20 Insurance and reinsurance contracts (continued)

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

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

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

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

Methodology and assumptions

(i) Mortality

Prudent mortality tables and industry mortality tables with margins are used. They are compared with the Group's internal mortality experience on a regular basis to ensure their appropriateness.

(ii) Morbidity

Morbidity is based on the reinsurer's risk premiums which are relevant to its market experience. It is compared with the Group's internal morbidity experience on a regular basis to ensure its appropriateness.

(iii) Withdrawal

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

(iv) Discount rates

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

20 Insurance and reinsurance contracts (continued)

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

<u>As at 30 June 2024</u>	<u>1 year</u>	<u>5 years</u>	<u>10 years</u>	<u>15 years</u>	<u>20 years</u>
USD	5.01%-5.90%	4.28%-5.17%	4.32%-5.21%	4.43%-5.32%	4.68%-5.57%
HKD	4.56%-5.45%	3.71%-4.60%	3.61%-4.50%	3.68%-4.57%	3.70%-4.59%
<u>As at 31 December 2023</u>	<u>1 year</u>	<u>5 years</u>	<u>10 years</u>	<u>15 years</u>	<u>20 years</u>
USD	4.70%-5.54%	3.79%-4.63%	3.83%-4.67%	3.93%-4.78%	4.27%-5.11%
HKD	4.28%-5.12%	3.27%-4.11%	3.29%-4.13%	3.41%-4.25%	3.47%-4.31%

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

Risk adjustments for non-financial risk

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

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

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

(ii) Contractual service margin

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

(iii) Investment components

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

20 Insurance and reinsurance contracts (continued)

(iv) Fair value of insurance contracts

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

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

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

21 Investment contract liabilities

	<i>At 30 June 2024</i>	<i>At 31 December 2023</i>
	HK\$'000	HK\$'000
Policyholders' deposits	4,481,621	4,505,381
Future policyholders' benefits	87,862	82,834
Unearned revenue liability	194,139	186,632
	<u>4,763,622</u>	<u>4,774,847</u>

22 Other accounts payable

	<i>At 30 June 2024</i>	<i>At 31 December 2023</i>
	HK\$'000	HK\$'000
Accounts payable		
- Cash and margin clients	391,691	361,581
- Clearing house, fund managers, brokers and dealers	2,310	23,982
	<u>394,001</u>	<u>385,563</u>

Included in accounts payable are amounts payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting regulated activities, which amount to HK\$309,078,000 (31 December 2023: HK\$295,363,000).

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

22 Other accounts payable (continued)

Balance with related parties

At 30 June 2024, accounts payable of approximately HK\$68,000 (31 December 2023: HK\$70,000) and HK\$2,907,000 (31 December 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.

23 Other payables and accrued expenses

	<i>At 30 June</i>	<i>At</i>
	<i>2024</i>	<i>31 December</i>
	HK\$'000	HK\$'000
Accrued staff costs	11,190	28,684
Other contract provisions	227,109	219,511
Other payables and accruals	548,703	643,419
	787,002	891,614
	787,002	891,614

All of other payables and accrued expenses are expected to be settled within one year.

Balance with related parties

At 30 June 2024, amount of approximately HK\$80,405,000 (31 December 2023: HK\$39,411,000) are payable to MassMutual International LLC who is a substantial shareholder of the Company and its affiliates.

At 30 June 2024, interest accrual of approximately HK\$310,581,000 (31 December 2023: HK\$254,692,000) is due to Key Imagination Limited who is the controlling shareholder of the Company.

24 Financial liabilities at fair value through profit or loss

	<i>At 30 June</i> 2024 HK\$'000	<i>At 31 December</i> 2023 HK\$'000
Preference share liability	34,767	101,873
Third-party interests in consolidated funds	80,250	118,488
Short position in listed equities	152,700	57,014
Derivative liabilities	119,936	205,720
Derivatives designated as hedging instruments	77,735	35,269
	<u>465,388</u>	<u>518,364</u>

25 Bank borrowings

The bank loan was unsecured and repayable as follows:

	<i>At 30 June</i> 2024 HK\$'000	<i>At 31 December</i> 2023 HK\$'000
Within 1 year	-	1,399,479
After 2 year but within 3 years	<u>1,382,258</u>	<u>-</u>

26 Shareholder's loan

The loan is due within one year from 30 June 2024 and the Group has an unconditional extension right to extend the due date for another year at the interest rate to be reset based on prevailing market condition at the time of exercising the right.

27 Share capital

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

	<i>At 30 June 2024</i>		<i>At 31 December 2023</i>	
	<i>Number of shares</i>	<i>Amount HK\$'000</i>	<i>Number of shares</i>	<i>Amount HK\$'000</i>
Issued and fully paid:	<u>3,867,991,673</u>	<u>11,872,683</u>	<u>3,867,991,673</u>	<u>11,872,683</u>

28 Employee share-based arrangements

Share Option Scheme and Share Award Schemes

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

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

The Board had approved the adoption of two share award schemes on 30 October 2014 (the “2014 Share Award Scheme”) and 12 December 2016 (the “2016 Share Award Scheme”) respectively to (i) encourage or facilitate the holding of Shares by the selected participants; (ii) encourage and retain such individual to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

2014 Share Award Scheme

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

2016 Share Award Scheme

On 24 January 2017, the Company issued 23,990,000 Shares to TMF Trust (HK) Limited to be granted to the Pool A Selected Participants (Group A Grantees) as disclosed in the announcement of the Company dated 24 January 2017. The share was issued at value of HK\$5.4 per share.

During the year ended 31 December 2018, the Company had paid to Bank of Communications Trustee Limited to purchase the Shares to be granted to the Pool B Selected Participants (Group B Grantees) as disclosed in the announcements of the Company dated 4 January 2018, 11 January 2018, 16 January 2018, 26 January 2018 and 21 May 2018.

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

28 Employee share-based arrangements (continued)

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

Grant date on 24 January 2017

Vesting date	Number of awarded shares awarded A	Number of awarded shares vested B	Number of awarded shares cancelled, forfeited or lapsed C	Number of awarded share remains outstanding F = A - B - C
As of 31 December 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 period				
4 May 2017	-	-	-	
4 May 2018	-	-	-	
4 May 2019	-	-	-	
4 May 2020	-	-	-	
As of 30 June 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 remaining outstanding was due to service condition modification.

28 Employee share-based arrangements (continued)

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

Grant date on 25 April 2018

<i>Vesting date</i>	<i>Number of awarded shares awarded</i>	<i>Number of awarded shares vested</i>	<i>Number of awarded shares cancelled, forfeited or lapsed</i>	<i>Number of awarded share remains outstanding</i>
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 period				
4 May 2018	-	-	-	-
4 May 2019	-	-	-	-
4 May 2020	-	-	-	-
4 May 2021	-	-	-	-
As of 30 June 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	<u>2,850,000</u>	<u>712,500</u>	<u>2,137,500</u>	<u>-</u>

28 Employee share-based arrangements (continued)

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

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

29 Interests in structured entities

Interest in consolidated structure entities

The Group had consolidated certain structured entities, mainly funds related to wealth management operation. For those structured entities where the Group is involved as manager or as investor, the Group assesses the extent of controlling power according to relevant group accounting policies.

As at 30 June 2024, the net assets of consolidated fund entities amounted to HK\$234 million (31 December 2023: HK\$345 million) with net carrying interest held by the Group being HK\$154 million (31 December 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 on the condensed consolidated statement of financial position with fair value change of financial liability at fair value through profit or loss presented in the condensed consolidated income statement.

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

Interest in unconsolidated structure entities

Among those structured entities held by the Group where the Group directly or indirectly involves as investment manager or in equivalent capacity, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these investment funds;
- substantive removal rights held by other parties may remove the Group as an investment fund manager; and
- the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the directors, the variable returns that the Group exposes to these structured entities are not significant and the Group is primarily acting as an agent. Therefore, the Group did not consolidate these structured entities.

30 Commitments

(a) Capital commitments

As at 30 June 2024, the Group has a total of HK\$50,885,000 (31 December 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. As at 30 June 2024, the Group has investment commitments contracted for amounted to HK\$2,821,800,000 (31 December 2023: HK\$2,176,196,000).
- (ii) As at 30 June 2024, the Group has capital commitment to a joint venture for an amount of US\$20 million with US\$13.93 million (31 December 2023: US\$20 million with US\$13.93 million) has been contributed.

31 Material related party transactions

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	HK\$'000	HK\$'000
Brokerage fee income (<i>note (i)</i>)	788	4,020
Investment management fee paid (<i>note (ii)</i>)	40,993	40,133
Policy endorsement fee paid (<i>note (iii)</i>)	2,128	2,442
	2,909	46,605

- (i) The Group provided brokerage services to companies where Mr. Yu Feng (the Company's chairman) and Mr. Huang Xin (the executive director) are directors and substantial shareholders.
- (ii) The Group paid an investment management fee to an affiliate of a substantial shareholder who appointed a director to the board of the Company, for management service provided to YF Life's investment portfolio.
- (iii) The fee is paid to an affiliate of a substantial shareholder, who appointed a director to the board of the Company, for the provision of claims payment endorsement to certain outstanding life insurance policies of YF Life until such policies mature.

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

32 Reconciliation between HKFRSs and US GAAP

The condensed consolidated financial statements are prepared in accordance with HKFRSs, which differ from certain aspects from US GAAP. The effects of material differences between the financial statements of the Group prepared under HKFRSs and US GAAP are as follows:

Condensed consolidated statement of financial position	As at 30 June 2024			As at 31 December 2023	
	Insurance-related differences ^[1]	HKFRSs adjustments Other difference in accounting ^[2]	Difference in impairment basis ^[3]	Amounts under US GAAP	
				Amounts under US GAAP	
				HK\$'000	
Assets				HK\$'000	
Property and equipment	-	151	-	594,840	632,602
Statutory deposits	-	-	-	4,534	4,193
Tax recoverable	-	-	-	40	45
Deferred tax assets	-	(54,941)	63,796	92,749	114,440
Investments in associates	-	-	-	112,837	121,500
Goodwill and intangible assets	-	-	-	1,923,660	1,923,737
Other contract assets	(128,558)	-	-	-	-
Deferred acquisition costs and value of business acquired	18,324,442	-	-	18,324,442	17,860,604
Investments	-	2,226,031	(1,749,533)	77,042,560	73,855,117
Reinsurance contract assets	(6,581,905)	-	-	-	-
Advance reinsurance premiums	606,489	-	(4,188)	602,301	415,707
Reinsurers' share of outstanding claims	147,829	-	-	147,829	126,689
Insurance and reinsurance receivables	8,929,457	-	(38,822)	8,890,635	8,523,455
Other accounts receivable and accrued income	-	-	-	105,515	113,160
Other receivables, deposit and prepayment	5,067	-	-	1,133,479	992,897
Bank balance - trust and segregated accounts	-	-	-	299,532	295,166
Fixed bank deposits with original maturity over 3 months	-	-	-	1,173,113	1,259,134
Cash and cash equivalents	-	-	-	4,564,898	3,973,788
Total assets				115,012,964	110,212,234
Liabilities					
Insurance contract provisions	(89,641,252)	-	-	(89,641,252)	(85,396,806)
Insurance contract liabilities	66,931,371	-	-	-	-
Investment contract liabilities	4,763,622	-	-	-	-
Outstanding claims	(312,209)	-	-	(312,209)	(273,858)
Reinsurance premium payables	(1,457,196)	-	-	(1,457,196)	(355,788)
Financial liabilities at fair value through profit or loss, other accounts payable and lease liabilities	-	-	-	(1,030,149)	(1,116,167)
Other payables and accrued expense	(3,606,237)	-	-	(4,393,239)	(4,154,767)
Tax payable	-	-	-	(150,331)	(67,545)
Deferred tax liabilities	(827,923)	-	-	(1,081,806)	(1,099,123)
Bank borrowings	-	-	-	(1,382,258)	(1,399,479)
Shareholder's loan	-	-	-	(1,641,077)	(1,641,077)
Total liabilities				(101,089,517)	(95,504,610)
Net assets				13,923,447	14,707,624
Capital and reserves					
Share capital	-	-	-	11,872,683	11,872,683
Reserves	(1,987,208)	1,515,572	(1,206,665)	(2,665,177)	(2,054,136)
Non-controlling interests	(859,795)	655,669	(522,082)	4,715,941	4,889,077
Total equity				13,923,447	14,707,624

32 Reconciliation between HKFRSs and US GAAP (continued)

	<i>For the period ended 30 June 2024 HK\$'000</i>	<i>For the period ended 30 June 2023 HK\$'000</i>
<i>Condensed consolidated income statement</i>		
<i>Amounts under US GAAP</i>		
Income		
Premiums and fee income	5,181,323	5,620,870
Premiums ceded to reinsurer	(545,938)	(1,128,773)
Net premium and fee income	4,635,385	4,492,097
Change in unearned revenue liability	(86,926)	(178,576)
Net earned premium and fee income	4,548,459	4,313,521
Brokerage commission, interest and other service income	8,399	12,490
Subscription, management and rebate fee income	1,883	1,853
Net investment and other income	2,671,836	2,712,993
Reinsurance commission and profit	24,951	24,626
Total income	7,255,528	7,065,483
Benefits, losses and expenses		
Net policyholders benefit	(2,154,462)	(1,543,937)
Commission and related expenses	(824,609)	(1,400,811)
Management and other expenses	(599,211)	(540,849)
Change in future policyholder benefits and deferral and amortisation of deferred acquisition costs and value of business acquired	(3,564,891)	(3,027,541)
Total benefits, losses and expenses	(7,143,173)	(6,513,138)
Finance costs	(114,662)	(94,983)
Share of results of associates	(3,408)	(2,798)
(Loss)/profit before taxation	(5,715)	454,564
Tax expenses	(91,431)	(30,379)
(Loss)/profit after taxation	(97,146)	424,185
(Loss)/profit attributable to:		
Owners of the Company	(129,567)	247,695
Non-controlling interests	32,421	176,490
	(97,146)	424,185
<i>HKFRSs adjustments (notes)</i>		
Profit/(loss) attributable to:		
Owners of the Company	330,561	(109,760)
Non-controlling interests	143,027	(47,486)
	473,588	(157,246)
<i>Amounts under HKFRSs</i>		
Profit attributable to:		
Owners of the Company	200,994	137,935
Non-controlling interests	175,448	129,004
	376,442	266,939

32 Reconciliation between HKFRSs and US GAAP (continued)

Notes:

- [1] Differences arise from different classification and measurement principles for insurance and reinsurance contracts under HKFRS and US GAAP.
- [2] Difference arises from classification and measurement of investments and lease accounting.
- [3] Difference arises from different impairment methodology and basis under HKFRS and US GAAP.

33 Non-adjusting events after the reporting period

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

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

Hong Kong, 29 August 2024

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