



亞洲金融集團(控股)有限公司  
Asia Financial Holdings Ltd.

*Incorporated in Bermuda with limited liability*

(Stock Code: 662)

INTERIM REPORT

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For the six months ended 30th June, 2014

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## Board of Directors

### *Executive Directors*

CHAN Yau Hing Robin (*Chairman*)  
CHAN Bernard Charnwut (*President*)  
TAN Stephen  
WONG Kok Ho

### *Non-Executive Directors*

SOPHONPANICH Choedchu  
NG Song Hin  
CHAN Yeow Toh  
YAMAGUCHI Yoshihiro  
TANAKA Junichi

### *Independent Non-Executive Directors*

CHOW Suk Han Anna  
MA Andrew Chiu Cheung  
SIAO Chi Lam Kenneth  
WONG Yu Hong Philip  
LAI KO Wing Yee Rebecca

## Audit Committee

MA Andrew Chiu Cheung (*Chairman*)  
CHOW Suk Han Anna  
SIAO Chi Lam Kenneth  
LAI KO Wing Yee Rebecca

## Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairman*)  
CHOW Suk Han Anna  
MA Andrew Chiu Cheung  
CHAN Bernard Charnwut

## Nomination Committee

CHOW Suk Han Anna (*Chairman*)  
MA Andrew Chiu Cheung  
LAI KO Wing Yee Rebecca  
CHAN Bernard Charnwut

## Compliance Committee

CHOW Suk Han Anna (*Chairman*)  
MA Andrew Chiu Cheung  
SIAO Chi Lam Kenneth  
LAI KO Wing Yee Rebecca  
CHAN Bernard Charnwut  
TAN Stephen

## Auditors

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

## Registered Office

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## Head Office and Principal Place of Business

16th Floor, Worldwide House  
19 Des Voeux Road Central  
Hong Kong  
Telephone : (852) 3606 9200  
Fax : (852) 2545 3881  
Website : [www.afh.hk](http://www.afh.hk)  
Email : [contactus@afh.hk](mailto:contactus@afh.hk)

## Principal Registrar and Transfer Office

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Branch Registrar and Transfer Office

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

## Company Secretary

LAU Chi Tak

## Share Listing

Main Board of The Stock Exchange of Hong Kong Limited  
Stock Code: 662

Asia Financial Holdings Limited ("Asia Financial") recorded net profit attributable to shareholders of HK\$190.0 million in the first half of 2014, a 139.0% increase over the same period in 2013. This rise largely reflected the underwriting profits and organic growth of insurance operations, and realized and unrealized gains in the value of portfolio investments. The results of most of our joint ventures and associates were also positive. Except for some start-up expenses incurred, our expenses remained in line with inflation.

We believe overall prospects in the second half of the year look positive. Looking ahead, our focus remains very much on livelihood-related service industries such as insurance, retirement, health and property development, in Greater China and elsewhere in Asia, which will be increasingly important to our longer-term direct investment strategy.

## Economic Background

Given a background of generally weak growth in the global economy, conditions in Asia and Greater China were positive in the first half of 2014. China's growth rates for the period indicated regional and sectoral rebalancing in the economy; this adjustment was reflected in the form of slowing consumption growth in Hong Kong, though labour conditions remained tight and year-on-year inflation at around 4%. This continued economic strength provided satisfactory conditions for Asia Financial's insurance operations.

Compared with a year beforehand, markets were generally more optimistic at mid-2014, and this benefited our net profit for the period. Specifically, the Hang Seng Index slightly dropped by 0.5% in the year to mid-2014, while the US S&P 500 rose by around 6.1%.

## Management Approach and Future Prospects

The outlook for recovery at mid-2014 looks fairly positive in China and the United States, if not in Europe. Leaving aside current geo-political instability in certain regions, the main uncertainty we see is leading economies' monetary policies and their potential impact on asset prices. One encouraging sign is that China's leadership seems seriously determined to continue structural adjustment by raising consumption, encouraging greater urbanization and pushing financial and other reforms.

Given this medium-term global outlook, Asia Financial's management will maintain a suitably flexible yet fundamentally conservative investment approach and sensible policies in such areas as cost control in the pursuit of long-term growth in shareholder value. Medium-term prospects for Asia Insurance are positive, thanks in particular to continued strength in local infrastructure and construction. We will continue to anticipate changes in the market by reviewing and optimizing our mix of business segments. We are also monitoring possible future progress in the expansion of private health coverage in Hong Kong.

Our overall focus will remain very much on the long term and continue to build on our interests in livelihood-related service industries such as insurance, retirement, health and property development. This choice of investment segments is based on the transformation of the Greater China/East Asia region as a large middle class comes into being, societies begin to age and governments seek market-based solutions to demographic policy challenges. This is the long-term environment on which Asia Financial's management focuses.

Our existing base of investments fits well with our traditional expertise and networks of clients and partners, and is well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

**Chan Yau Hing Robin**

*Chairman*

Hong Kong, 14th August, 2014

# Management Discussion and Analysis

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## Overview by Investment Segments

### *Insurance*

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”)’s profit attributable to shareholders increased 87.7% in the first half of 2014 compared with the same period in 2013.

Underwriting profit grew a very healthy 41.6%. This was helped by continuing strong demand for employees’ compensation and other coverage in the construction and infrastructure sector, and the absence of any major losses from natural disasters. However, fierce competition for business hence lowered premium rates and this accounted for the 8.2% fall in turnover for the period.

The growth in profit reflects Asia Insurance’s continued status as a leader in Hong Kong’s general insurance market with a very sound reputation and a loyal client base.

Unrealized gains in investments rose significantly, reflecting in particular the strong year-on-year performances in the Hong Kong and Thai stock markets. Interest income performed in line with our stable bond portfolio, and bank interest increased in line with deposits. Other income showed a net loss, largely as a result of exchange rate exposure. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

There were no significant changes to the size and reach of our agent network. Asia Insurance successfully kept costs in line with inflation and market trends in pay.

Despite some uncertainty over medium-term economic performance in Greater China and the rest of Asia, the outlook for profit and organic growth in Asia Insurance’s core underwriting activities looks reasonable for the second half of 2014 and beyond. One key to continued healthy underwriting profitability is to utilize our risk management expertise to focus on quality business and optimize the mix of business segments, especially in our core market of Hong Kong. We will also continue to liaise with industry and other parties about possible ways to encourage a bigger role for personal health insurance coverage in the Hong Kong community.

In terms of investment performance, we are reasonably positive about the global and regional economic outlook, and we hope to see satisfactory performance resulting from our generally prudent approach to portfolio management.

Joint ventures and associates in the insurance segment delivered generally satisfactory results in the first half of 2014. Hong Kong Life Insurance Limited enjoyed continued good performance, while The People’s Insurance Company of China (Hong Kong) Limited achieved a healthy increase in profit. BC Reinsurance Limited’s earnings remained stable, while Professional Liability Underwriting Services Limited saw some weakening in profit. Looking further ahead, all these companies look well positioned for future healthy development.

PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. PICC Life reported RMB58.0 billion in premium income for the first half of 2014, a 53.8% increase over the same period in 2013. All other business performance and risk control indicators showed positive and healthy figures. PICC Life’s insurance liability reserves and solvency ratio were maintained at high levels in line with the business volume. This stake is Asia Financial’s single biggest external holding, accounting for 15.8% of our total assets.

### *Other Portfolio Investment*

Realized and unrealized year-on-year gains on trading investments made a helpful contribution to Asia Financial’s increase in net profit in the first half of 2014. This particularly reflected year-on-year gains in the Hong Kong and US markets and a weighting of our portfolio towards equities. Returns from non-traded investments saw a satisfactory rise. Increase in net interest income was broadly in line with deposits and rates.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments are mainly of investment grade or above. Ever since the extreme volatility of world markets in 2008-09, we have adopted a particularly prudent attitude towards management of our portfolio investments. In view of the generally brighter prospects we see for recovery in China and the United States in particular, our investment strategy may accommodate more flexibility. Regardless of year-on-year fluctuations in market valuations, we will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

### Overview by Investment Segments (continued)

#### ***Health Care and Wellness***

Our 3.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our best-performing investments, with its valuation rising 34.7% for the first half of the year. This reflects continued recognition in the market of Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services. This success looks likely to continue.

In March 2014, Asia Financial announced the acquisition of a stake in Ulaanbaatar Songdo Hospital (“UBSD”), one of the leading hospitals in the capital of Mongolia. Our stake comprises a 20% share in a consortium with Bumrungrad. The consortium is taking a 51% stake in UBSD. This is an opportunity to participate in significant growth in Mongolia’s health-care sector and an attractive long-term addition to our portfolio of investments in regional companies focusing on personal coverage and care services.

In Hong Kong, Asia Financial implemented plans to open The Kinnet, a wholly owned wellness centre aimed at the over-50s. The Kinnet, in the Sheung Wan district adjacent to Central, will offer an extensive range of age-specific facilities and activities to nurture the physical, mental and emotional well-being of clients. Facilities will include a well-equipped fitness centre, studios and a café. The venture benefits from a board of respected advisors in relevant health and social fields. The soft opening will be in September 2014. The Kinnet will be a long-term project seeking to serve Hong Kong’s growing senior population. We see very attractive prospects in Hong Kong and possibly elsewhere in serving this developing market.

We continue to foresee good prospects in the health and wellness sectors in the region, owing to long-term demographic and policy trends, and we continue to consider further opportunities.

#### ***Pension and Asset Management***

The Group’s holding in Bank Consortium Holding Limited (“BCH”) continued to enjoy growth in assets under management and achieved an acceptable increase in profit in the first half of 2014, helped by the rise in market values. Bank Consortium Trust Company Limited, a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong.

#### ***Property Development***

The Group’s interests in real estate is focused on Shanghai and represent 3.9% of our total assets. The main project is a residential and commercial complex in Jiading in Shanghai, in which we have a 27.5% stake. Sales of Phase 2 of the project are now mostly complete, yielding share of profits of HK\$19.9 million booked in the first half of 2014. Demand for the remaining units is anticipated to be good.

Planning for Phase 3 is now approaching local authority approvals stage. Work has commenced on preparing a smaller lot of land in the same district, and construction will begin in the second half of 2014 with a view to completion by end-2015. Sales are expected to commence early in 2015.

Prospects for China’s residential property market and possibly future policy are subjects of considerable discussion. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. We are also confident that our projects contribute to a socially positive housing market, being aimed at middle-class end-users in a competitive local market. We will consider new possible opportunities in this sector.

## Management Discussion and Analysis

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### Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 30th June, 2014 amounted to HK\$1,604,185,000 (31st December, 2013: HK\$1,566,933,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2014 (31st December, 2013: HK\$200,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2015 and charged at 1.15% over the 3-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2014. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowings and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

The Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitment and working capital requirements.

### Charge on Assets

As at 30th June, 2014, Asia Insurance charged assets with a carrying value of HK\$129,131,000 (31st December, 2013: HK\$127,981,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain Hong Kong listed shares with a market value of not less than HK\$150,000,000 (31st December, 2013: HK\$200,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2013: HK\$200,000,000).

### Contingent Liabilities

As at 30th June, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.6 million) (31st December, 2013: RMB112.5 million) issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of a 10-year subordinated term debt of RMB2.25 billion issued by PICC Life. The counter guarantee will expire on 25th April, 2019.

### Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2014 was 262 (31st December, 2013: 261). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2014. The Group also offers various training and induction programmes to its employees.

The remuneration policy of the Group is formulated and recommended by the Remuneration Committee of the Company for the Board's approval. The Remuneration Committee's responsibilities also include reviewing and approving the management's remuneration proposals, and making recommendations to the Board on the adjustments to remuneration packages payable to directors, senior management and employees of the Group.



The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2014 as follows:

Profit attributable to equity holders of the Company:	HK\$190.0 million	+139.0%
Earnings per share:	HK18.6 cents	+138.5%
Interim dividend per share:	HK3.0 cents	+100.0%

*(All changes in % refer to the same period last year)*

## Review of Interim Financial Statements

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2014 and recommended it for the Board’s approval.

## Interim Dividend

The Board has resolved to declare an interim cash dividend of HK3.0 cents (2013: HK1.5 cents) per ordinary share for the six months ended 30th June, 2014 payable on or about Thursday, 25th September, 2014 to shareholders whose names appear on the Register of Members of the Company on Thursday, 18th September, 2014.

## Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 16th September, 2014 to Thursday, 18th September, 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15th September, 2014.



# Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June,	
		2014 HK\$'000	2013 HK\$'000
<b>REVENUE</b>	3	<b>678,126</b>	739,466
Gross premiums		<b>678,126</b>	739,466
Reinsurers' share of gross premiums		<b>(195,143)</b>	(205,406)
Change in unearned premiums reserve		<b>(6,468)</b>	(62,085)
Change in life reserve		<b>(3,542)</b>	(8,212)
Net insurance contracts premiums revenue		<b>472,973</b>	463,763
Gross claims paid		<b>(246,643)</b>	(271,330)
Reinsurers' share of gross claims paid		<b>73,315</b>	64,162
Gross change in outstanding claims		<b>(86,246)</b>	(97,433)
Reinsurers' share of gross change in outstanding claims		<b>(23,985)</b>	17,634
Net claims incurred		<b>(283,559)</b>	(286,967)
Commission income		<b>34,607</b>	33,973
Commission expense		<b>(142,921)</b>	(142,529)
Net commission expense		<b>(108,314)</b>	(108,556)
Management expenses for underwriting business		<b>(25,692)</b>	(29,157)
Underwriting profit		<b>55,408</b>	39,083
Dividend income		<b>44,042</b>	44,252
Realised gain/(loss) on investments		<b>10,780</b>	(13,306)
Unrealised gain/(loss) on investments		<b>64,175</b>	(21,792)
Interest income		<b>36,644</b>	34,777
Other income and gains, net		<b>(4,038)</b>	6,151
		<b>207,011</b>	89,165
Operating expenses		<b>(45,875)</b>	(40,610)
Finance costs	4	<b>(1,171)</b>	(1,151)
		<b>159,965</b>	47,404
Share of profits and losses of joint ventures		<b>17,930</b>	15,697
Share of profits and losses of associates		<b>29,844</b>	22,933
<b>PROFIT BEFORE TAX</b>	5	<b>207,739</b>	86,034

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## Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2014

	Notes	<b>Six months ended 30th June,</b>	
		<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
Income tax expense	6	<u>(10,836)</u>	<u>(3,555)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>196,903</b></u>	<u>82,479</u>
Attributable to:			
Equity holders of the Company		<u><b>190,021</b></u>	79,512
Non-controlling interests		<u><b>6,882</b></u>	<u>2,967</u>
		<u><b>196,903</b></u>	<u>82,479</u>
<b>INTERIM DIVIDEND</b>	7	<u><b>30,576</b></u>	<u>15,288</u>
<b>INTERIM DIVIDEND PER SHARE</b>	7	<u><b>HK3.0 cents</b></u>	<u>HK1.5 cents</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic – For profit for the period		<u><b>HK18.6 cents</b></u>	<u>HK7.8 cents</u>
Diluted – For profit for the period		<u><b>N/A</b></u>	<u>N/A</u>



# Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2014

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT FOR THE PERIOD</b>	<b>196,903</b>	82,479
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	<b>245,481</b>	(15,292)
Share of other comprehensive income/(expense) of joint ventures:		
Changes in available-for-sale investment reserve	<b>(58)</b>	(231)
Changes in exchange reserve	<b>1,414</b>	(484)
	<b>1,356</b>	(715)
Share of other comprehensive income/(expense) of associates:		
Changes in available-for-sale investment reserve	<b>(90)</b>	(14,528)
Changes in exchange reserve	<b>(8,046)</b>	4,641
	<b>(8,136)</b>	(9,887)
Exchange differences on translation of foreign operations	<b>61</b>	(102)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX</b>	<b>238,762</b>	(25,996)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>435,665</b>	56,483
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>428,809</b>	57,942
Non-controlling interests	<b>6,856</b>	(1,459)
	<b>435,665</b>	56,483



# Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2014

	Notes	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment	9	328,354	144,657
Investment property		7,260	7,260
Interests in joint ventures		244,801	227,615
Loan to a joint venture		11,503	11,503
Interests in associates		336,884	291,389
Due from an associate		168,390	168,390
Deferred tax assets		5,756	7,111
Held-to-maturity securities	10	616,145	697,217
Available-for-sale securities	11	3,215,695	3,030,914
Pledged deposits	15	131,730	120,080
Loans and advances and other assets	12	226,511	220,352
Securities measured at fair value through profit or loss	13	1,922,811	1,912,760
Insurance receivables	14	265,515	250,395
Reinsurance assets		569,607	588,997
Cash and cash equivalents	15	1,604,185	1,566,933
		<u>9,655,147</u>	<u>9,245,573</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Issued capital		1,019,200	1,019,200
Reserves		5,578,069	5,179,836
Proposed dividend		30,576	45,864
		<u>6,627,845</u>	<u>6,244,900</u>
Non-controlling interests		36,746	30,520
		<u>6,664,591</u>	<u>6,275,420</u>
Liabilities			
Insurance contract liabilities		2,352,674	2,251,822
Insurance payables		183,443	200,163
Due to a joint venture		26,732	26,244
Due to associates		4,222	4,222
Other liabilities		233,677	257,315
Interest-bearing bank borrowing	16	150,000	200,000
Tax payable		29,962	20,541
Deferred tax liabilities		9,846	9,846
		<u>2,990,556</u>	<u>2,970,153</u>
Total liabilities		<u>2,990,556</u>	<u>2,970,153</u>
Total equity and liabilities		<u>9,655,147</u>	<u>9,245,573</u>

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2014

Attributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st January, 2014	1,019,200	560,531*	41,761*	827,992*	46,071*	40,891*	2,427*	513,240*	38,821*	3,108,102*	45,864	6,244,900	30,520	6,275,420
Profit for the period	-	-	-	-	-	-	-	-	-	190,021	-	190,021	6,882	196,903
Other comprehensive income/(expense) for the period:														
Changes in fair value of available-for-sale securities	-	-	-	245,481	-	-	-	-	-	-	-	245,481	-	245,481
Share of changes in available-for-sale investment reserve of joint ventures	-	-	-	(58)	-	-	-	-	-	-	-	(58)	-	(58)
Share of changes in available-for-sale investment reserve of associates	-	-	-	(64)	-	-	-	-	-	-	-	(64)	(26)	(90)
Share of changes in exchange reserve of a joint venture	-	-	-	-	-	1,414	-	-	-	-	-	1,414	-	1,414
Share of changes in exchange reserve of associates	-	-	-	-	-	(8,046)	-	-	-	-	-	(8,046)	-	(8,046)
Exchange differences on translation of foreign operations	-	-	-	-	-	61	-	-	-	-	-	61	-	61
Total comprehensive income/(expense) for the period	-	-	-	245,359	-	(6,571)	-	-	-	190,021	-	428,809	6,856	435,665
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	-	(45,864)	(45,864)	-	(45,864)
Proposed interim 2014 dividend	-	-	-	-	-	-	-	-	-	(30,576)	30,576	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(630)	(630)
Transfer to contingency reserve	-	-	5,322	-	-	-	-	-	-	(5,322)	-	-	-	-
At 30th June, 2014	1,019,200	560,531*	47,083*	1,073,351*	46,071*	34,320*	2,427*	513,240*	38,821*	3,262,225*	30,576	6,627,845	36,746	6,664,591

\* These reserve accounts comprise the consolidated reserves of HK\$5,578,069,000 (31st December, 2013; HK\$5,179,836,000) in the unaudited condensed consolidated statement of financial position.

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# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2014

Attributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2013	1,019,200	560,531	30,773	1,002,615	46,071	34,393	2,427	513,240	38,821	2,909,511	43,826	6,201,408	21,776	6,223,184
Profit for the period	-	-	-	-	-	-	-	-	-	79,512	-	79,512	2,967	82,479
Other comprehensive income/(expense) for the period:														
Changes in fair value of available-for-sale securities	-	-	-	(15,292)	-	-	-	-	-	-	-	(15,292)	-	(15,292)
Share of changes in available-for-sale investment reserve of joint ventures	-	-	-	(231)	-	-	-	-	-	-	-	(231)	-	(231)
Share of changes in available-for-sale investment reserve of associates	-	-	-	(10,102)	-	-	-	-	-	-	-	(10,102)	(4,426)	(14,528)
Share of changes in exchange reserve of a joint venture	-	-	-	-	-	(484)	-	-	-	-	-	(484)	-	(484)
Share of changes in exchange reserve of an associate	-	-	-	-	-	4,641	-	-	-	-	-	4,641	-	4,641
Exchange differences on translation of foreign operations	-	-	-	-	-	(102)	-	-	-	-	-	(102)	-	(102)
Total comprehensive income/(expense) for the period	-	-	-	(25,625)	-	4,055	-	-	-	79,512	-	57,942	(1,459)	56,483
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	-	(43,826)	(43,826)	-	(43,826)
Proposed interim 2013 dividend	-	-	-	-	-	-	-	-	-	(15,288)	15,288	-	-	-
Transfer to contingency reserve	-	-	5,611	-	-	-	-	-	-	(5,611)	-	-	-	-
At 30th June, 2013	1,019,200	560,531	36,384	976,990	46,071	38,448	2,427	513,240	38,821	2,968,124	15,288	6,215,524	20,317	6,235,841



# Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2014

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Net cash flows from/(used in) operating activities	<b>24,326</b>	(40,545)
Net cash flows from/(used in) investing activities	<b>14,048</b>	(265,160)
Net cash flows from/(used in) financing activities	<b>(97,665)</b>	156,174
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(59,291)</b>	(149,531)
Cash and cash equivalents at beginning of period	<b>1,277,362</b>	1,209,510
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,218,071</b>	1,059,979
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>148,389</b>	217,900
Non-pledged time deposits with original maturity of over three months when acquired	<b>386,114</b>	283,912
Non-pledged time deposits with original maturity of less than three months when acquired	<b>1,069,682</b>	842,079
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<b>1,604,185</b>	1,343,891
Less: Non-pledged time deposits with original maturity of over three months when acquired	<b>(386,114)</b>	(283,912)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	<b>1,218,071</b>	1,059,979



# Notes to the Interim Financial Statements (Unaudited)

## 1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted are consistent with those adopted in the Company’s financial statements for the year ended 31st December, 2013 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for accounting period beginning on 1st January, 2014 and as disclosed below.

HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

Adoption of these new and revised HKFRSs and HKASs did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

## 2. Operating Segment Information

### (a) Operating segments

The following tables present revenue, profit/(loss) and certain asset and liability for the Group’s operating segments.

Group	Insurance HK\$’000	Corporate HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
<b>For the six months ended 30th June, 2014</b>				
<b>Segment revenue:</b>				
External customers	678,126	–	–	678,126
Other revenue, income, gains, net	94,334	57,269	–	151,603
Intersegment	2,098	–	(2,098)	–
<b>Total</b>	<b>774,558</b>	<b>57,269</b>	<b>(2,098)</b>	<b>829,729</b>
<b>Segment results</b>	<b>124,417</b>	<b>35,548</b>	<b>–</b>	<b>159,965</b>
<b>Share of profits and losses of:</b>				
Joint ventures	8,888	9,042	–	17,930
Associates	11,268	18,576	–	29,844
<b>Profit before tax</b>				<b>207,739</b>
Income tax expense	(9,358)	(1,478)	–	(10,836)
<b>Profit for the period</b>				<b>196,903</b>

## Notes to the Interim Financial Statements (Unaudited)

### 2. Operating Segment Information (continued)

#### (a) Operating segments (continued)

Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2013				
Segment revenue:				
External customers	739,466	–	–	739,466
Other revenue, income, gains, net	39,520	10,562	–	50,082
Intersegment	2,297	–	(2,297)	–
<b>Total</b>	<b>781,283</b>	<b>10,562</b>	<b>(2,297)</b>	<b>789,548</b>
<b>Segment results</b>	<b>56,862</b>	<b>(9,458)</b>	<b>–</b>	<b>47,404</b>
Share of profits and losses of:				
Joint ventures	8,068	7,629	–	15,697
Associates	10,818	12,115	–	22,933
Profit before tax				86,034
Income tax expense	(3,310)	(245)	–	(3,555)
Profit for the period				82,479
<b>Group</b>	<b>Insurance HK\$'000</b>	<b>Corporate HK\$'000</b>	<b>Consolidated HK\$'000</b>	
<b>30th June, 2014</b>				
<b>Segment assets</b>	<b>5,253,177</b>	<b>3,820,285</b>	<b>9,073,462</b>	
<b>Interests in joint ventures</b>	<b>140,860</b>	<b>103,941</b>	<b>244,801</b>	
<b>Interests in associates</b>	<b>140,975</b>	<b>195,909</b>	<b>336,884</b>	
<b>Total assets</b>	<b>5,535,012</b>	<b>4,120,135</b>	<b>9,655,147</b>	
<b>Segment liabilities</b>	<b>2,633,867</b>	<b>356,689</b>	<b>2,990,556</b>	
Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000	
31st December, 2013				
Segment assets	5,043,178	3,683,391	8,726,569	
Interests in joint ventures	134,132	93,483	227,615	
Interests in associates	131,822	159,567	291,389	
<b>Total assets</b>	<b>5,309,132</b>	<b>3,936,441</b>	<b>9,245,573</b>	
<b>Segment liabilities</b>	<b>2,549,219</b>	<b>420,934</b>	<b>2,970,153</b>	



2. Operating Segment Information (continued)

(b) Geographical information

Over 90% of the Group's revenue and results are derived from operations carried out in Hong Kong, Macau and Mainland China.

3. Revenue

Revenue, which is also the Group's turnover, represents gross premiums net of discounts, from direct and reinsurance business underwritten during the period.

4. Finance Costs

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on a bank loan wholly repayable within five years	<b>1,171</b>	1,151

5. Profit Before Tax

The Group's profit before tax is arrived at after crediting/(charging):

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Auditors' remuneration	<b>(1,353)</b>	(1,254)
Depreciation	<b>(4,154)</b>	(2,736)
Employee benefits expense (including directors' remuneration)	<b>(47,897)</b>	(42,343)
Minimum lease payments under operating leases in respect of land and buildings	<b>(701)</b>	(625)
Realised gain/(loss) on:		
– disposal of securities measured at fair value through profit or loss (held for trading), net	<b>(1,412)</b>	(12,960)
– disposal of available-for-sale securities	<b>12,182</b>	23
– redemption/call back of held-to-maturity securities	<b>10</b>	(369)
Total realised gain/(loss) on investments	<b>10,780</b>	(13,306)
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	<b>64,175</b>	(21,052)
Impairment of available-for-sale securities	<b>–</b>	(740)
Total unrealised gain/(loss) on investments	<b>64,175</b>	(21,792)
Interest income	<b>36,644</b>	34,777
Gain/(loss) on disposal of items of property, plant and equipment	<b>98</b>	(7)
Impairment allowance on insurance receivables	<b>(6)</b>	(206)
Dividend income from:		
– Listed investments	<b>36,117</b>	38,081
– Unlisted investments	<b>7,925</b>	6,171
Total dividend income	<b>44,042</b>	44,252

### 6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	<b>6,862</b>	1,294
Current – Elsewhere		
Charge for the period	<b>2,619</b>	2,261
Deferred	<b>1,355</b>	–
	<hr/>	<hr/>
Total tax charge for the period	<b>10,836</b>	3,555
	<hr/> <hr/>	<hr/> <hr/>

### 7. Dividend

	<b>Six months ended 30th June,</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Proposed interim dividend:		
HK3.0 cents (2013: HK1.5 cents) per ordinary share based on 1,019,200,000 (2013: 1,019,200,000) shares in issue	<b>30,576</b>	15,288
	<hr/> <hr/>	<hr/> <hr/>

The Board has resolved to pay an interim dividend of HK3.0 cents per share (2013: HK1.5 cents), which will be paid in cash, for the six months ended 30th June, 2014 payable on or about 25th September, 2014 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 18th September, 2014.

## 8. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$190,021,000 (2013: HK\$79,512,000) and 1,019,200,000 (2013: 1,019,200,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. Property, Plant and Equipment

During the period ended 30th June, 2014, the Group completed the acquisition of a property with a cost of HK\$173,600,000.

## 10. Held-to-maturity Securities

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	<b>193,205</b>	185,350
Listed debt securities outside Hong Kong, at amortised cost	<b>286,406</b>	375,075
Unlisted debt securities, at amortised cost	<b>136,534</b>	136,792
	<hr/>	<hr/>
Total held-to-maturity securities	<b>616,145</b>	697,217
	<hr/>	<hr/>
Fair value of listed and unlisted held-to-maturity securities	<b>643,016</b>	709,880
	<hr/>	<hr/>

The fair values of the listed and unlisted held-to-maturity securities are based on quoted market prices and quoted prices from brokers and fund managers, respectively.

None of the held-to-maturity securities are either past due or impaired. The financial assets included in held-to-maturity securities relate to receivables for which there was no recent history of default.

The held-to-maturity securities analysed by issuers as at the end of the reporting period are as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Public sector entities	<b>3,698</b>	42,598
Banks and other financial institutions	<b>384,612</b>	359,924
Corporate entities	<b>227,835</b>	294,695
	<hr/>	<hr/>
	<b>616,145</b>	697,217
	<hr/>	<hr/>

## Notes to the Interim Financial Statements (Unaudited)

### 10. Held-to-maturity Securities (continued)

The maturity profile of held-to-maturity securities as at the end of the reporting period is as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
With a residual maturity of:		
Three months or less	<b>29,823</b>	7,817
One year or less but over three months	<b>38,575</b>	174,957
Five years or less but over one year	<b>305,000</b>	271,643
Over five years	<b>242,747</b>	242,800
	<b>616,145</b>	697,217

During the period, a cedant of certain pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 30th June, 2014, listed debt securities of the Group amounting to HK\$129,131,000 (31st December, 2013: HK\$127,981,000) were pledged.

### 11. Available-for-sale Securities

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Listed equity in Hong Kong, at fair value	<b>166,432</b>	162,366
Listed equity outside Hong Kong, at fair value	<b>1,508,532</b>	1,267,117
Total listed available-for-sale securities	<b>1,674,964</b>	1,429,483
Unlisted equity, at cost	<b>1,571,587</b>	1,616,587
Less: Impairment	<b>(30,856)</b>	(41,616)
	<b>1,540,731</b>	1,574,971
Unlisted debt, at cost	<b>6,213</b>	32,673
Less: Impairment	<b>(6,213)</b>	(6,213)
	<b>–</b>	26,460
Total unlisted available-for-sale securities	<b>1,540,731</b>	1,601,431
Total available-for-sale securities	<b>3,215,695</b>	3,030,914

11. Available-for-sale Securities (continued)

The available-for-sale securities as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Banks and other financial institutions	<b>2,425,029</b>	2,346,570
Corporate entities	<b>790,666</b>	684,344
	<b>3,215,695</b>	3,030,914

During the period, the gross gain in respect of the Group's available-for-sale listed investments recognised in other comprehensive income amounted to HK\$245,481,000 (30th June, 2013: gross loss of HK\$15,292,000).

Particulars of certain available-for-sale securities of the Group, of which the carrying amount at 30th June, 2014 amounted to HK\$2,397,177,000 (31st December, 2013: HK\$2,318,916,000) are as follows:

<b>Name</b>	<b>Place of registration</b>	<b>Class of equity held</b>	<b>Proportion held</b>
<i>Direct</i>			
PICC Life Insurance Company Limited	The People's Republic of China	Ordinary	5%
<i>Indirect</i>			
Bangkok Bank Public Company Limited	Thailand	Ordinary	0.99%

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale equity investments of the Group with carrying amounts of HK\$1,540,731,000 (31st December, 2013: HK\$1,574,971,000) are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 30th June, 2014, certain listed available-for-sale securities were pledged to secure a bank loan granted to the Group (note 16).

## Notes to the Interim Financial Statements (Unaudited)

### 12. Loans and Advances and Other Assets

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Loans and advances	<b>63,497</b>	55,539
Accrued interest and other assets	<b>163,014</b>	164,813
	<hr/>	<hr/>
Gross loans and advances and other assets	<b>226,511</b>	220,352
	<hr/> <hr/>	<hr/> <hr/>

Except for a deposit paid amounting to HK\$16,000,000 for the acquisition of a property in Hong Kong which was classified as a non-current asset as at 31st December, 2013, the Group's accrued interest and other assets were current in nature. The acquisition was completed and the deposit paid of HK\$16,000,000 was transferred to the property, plant and equipment during the period.

None of the loans and advances and other assets is either past due or impaired. The financial assets included in the loans and advances and other assets relate to receivables for which there was no recent history of default.

The maturity profile of the loans and advances as at the end of the reporting period is as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	<b>40,537</b>	411
One year or less but over three months	<b>1,630</b>	41,251
Five years or less but over one year	<b>7,474</b>	5,558
Over five years	<b>13,856</b>	8,319
	<hr/>	<hr/>
	<b>63,497</b>	55,539
	<hr/> <hr/>	<hr/> <hr/>

### 13. Securities Measured at Fair Value through Profit or Loss

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	<b>103,838</b>	86,545
– listed outside Hong Kong, at fair value	<b>224,165</b>	231,132
– unlisted, at quoted market price	<b>43,018</b>	132,756
	<hr/>	<hr/>
	<b>371,021</b>	450,433
	<hr/> <hr/>	<hr/> <hr/>
Equity securities at fair value:		
– listed in Hong Kong	<b>368,587</b>	503,691
– listed outside Hong Kong	<b>403,367</b>	241,397
	<hr/>	<hr/>
	<b>771,954</b>	745,088
	<hr/> <hr/>	<hr/> <hr/>
Investment funds:		
– unlisted, at quoted price	<b>779,836</b>	717,239
	<hr/>	<hr/>
Total	<b>1,922,811</b>	1,912,760
	<hr/> <hr/>	<hr/> <hr/>



**13. Securities Measured at Fair Value through Profit or Loss** (continued)

The securities measured at fair value through profit or loss as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Public sector entities	<b>20,596</b>	26,575
Banks and other financial institutions	<b>289,282</b>	384,162
Corporate entities	<b>1,612,933</b>	1,502,023
	<b>1,922,811</b>	1,912,760

Securities measured at fair value through profit or loss at 30th June, 2014 and 31st December, 2013 were classified as held for trading.

As at 30th June, 2014, the Group's bank loan is secured by the pledge of equity securities listed in Hong Kong with fair value of not less than HK\$150,000,000 (31st December, 2013: HK\$200,000,000) (note 16).

**14. Insurance Receivables**

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Amounts due in respect of:		
Direct underwriting	<b>166,685</b>	127,870
Reinsurance accepted	<b>98,830</b>	122,525
	<b>265,515</b>	250,395

The Group grants credit terms of 3 months to 6 months on billed policies. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement subsequent to the 12 months from the end of the reporting period.

The Group's insurance receivables relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

## Notes to the Interim Financial Statements (Unaudited)

### 14. Insurance Receivables (continued)

An aged analysis of the insurance receivables based on the issuance date of policies, as at the end of the reporting period, is as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Three months or less	<b>266,170</b>	229,017
Six months or less but over three months	<b>1,250</b>	22,677
One year or less but over six months	–	739
Over one year	<b>870</b>	731
	<b>268,290</b>	253,164
Less: Impairment allowances	<b>(2,775)</b>	(2,769)
	<b>265,515</b>	250,395

### 15. Cash and Cash Equivalents and Pledged Deposits

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Cash and bank balances	<b>148,389</b>	153,893
Time deposits with original maturity of over three months	<b>386,114</b>	289,571
Time deposits with original maturity of less than three months	<b>1,069,682</b>	1,123,469
	<b>1,604,185</b>	1,566,933
Pledged deposits	<b>131,730</b>	120,080
	<b>1,735,915</b>	1,687,013

### 16. Interest-bearing Bank Borrowing

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Interest-bearing bank loan, secured	<b>150,000</b>	200,000

The bank loan bears interest at 1.15% (31st December, 2013: 1%) over the 3-month Hong Kong Interbank Offered Rate per annum, is repayable on or before 30th January, 2015, and is secured by the pledge of equity securities listed in Hong Kong with fair value of not less than HK\$150,000,000 (31st December, 2013: HK\$200,000,000) (notes 11 and 13).



## 17. Contingent Liabilities

As at 30th June, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.6 million) (31st December, 2013: RMB112.5 million) issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

## 18. Commitments

At the end of the reporting period, the Group had capital commitments as follows:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Contracted, but not provided for		
Acquisition of computer software	<b>900</b>	900
Acquisition of property, plant and equipment	<b>4,486</b>	144,000
	<u><b>4,486</b></u>	<u>144,000</u>

The Company did not have any significant capital commitments at the end of the reporting period.

## 19. Related Party Transactions

(a) Group

	<b>30th June, 2014</b>		31st December, 2013	
	<b>Directors and key management personnel HK\$'000</b>	<b>Enterprises and individuals related to directors and key management personnel HK\$'000</b>	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Aggregate balance at the end of the reporting period	-	<b>56</b>	-	21,310
Interbank activities:				
Deposits placed	-	<b>588,283</b>	-	595,670
	<u>-</u>	<u><b>588,283</b></u>	<u>-</u>	<u>595,670</u>



19. Related Party Transactions (continued)

(c) The Group had the following balances and transactions with certain of its associates during the period:

	<b>30th June, 2014 HK\$'000</b>	31st December, 2013 HK\$'000
Loans and advances granted: Aggregate balance at the end of the reporting period	<b>168,390</b>	168,390
	<b>Six months ended 30th June, 2014 HK\$'000</b>	2013 HK\$'000
Reinsurance premium ceded	<b>78</b>	–
Commission expense paid	<b>4,654</b>	–

20. Fair Value Hierarchy of Financial Instruments

Assets measured at fair value:

	Fair value measurement using		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Total HK\$'000
<b>At 30th June, 2014</b>			
<b>Available-for-sale securities:</b>			
Equity investments	1,041,599	633,365	1,674,964
Securities measured at fair value through profit or loss	989,298	933,513	1,922,811
	<b>2,030,897</b>	<b>1,566,878</b>	<b>3,597,775</b>

### 20. Fair Value Hierarchy of Financial Instruments (continued)

	Fair value measurement using		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Total HK\$'000
At 31st December, 2013			
Available-for-sale securities:			
Equity investments	959,272	470,211	1,429,483
Securities measured at fair value through profit or loss	979,782	932,978	1,912,760
	<u>1,939,054</u>	<u>1,403,189</u>	<u>3,342,243</u>

As at 30th June, 2014 and 31st December, 2013, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the periods ended 30th June, 2014 and 30th June, 2013, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

During the periods ended 30th June, 2014 and 30th June, 2013, there were no transfers of fair value measurements into or out of Level 3 for both financial assets and financial liabilities.

The fair values of listed equity investments are based on quoted market prices. If the market for a listed security is not active, the fair value is established by reference to the current fair value of another security that is substantially the same. The fair values of unlisted investment funds are based on quoted price from fund managers.

## Financial Risk Management Objectives and Policies

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses, which are approved and endorsed by the board of directors and reviewed regularly by the Group's management, executive committee, investment committee, fund management committee and other designated committees or working groups. Material risks are identified and measured by designated committees and/or working groups before the launch of new products or business activities, and monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures. The key risks include credit risk, liquidity risk, capital management risk, interest rate risk, foreign exchange risk, insurance risk, operational risk and equity price risk.

The overall internal control environment and the management policies for the major types of risks are as follows:

### (1) Internal control environment

The internal control framework of the Group comprises comprehensive control policies and standards. The areas of responsibilities of each business and operational unit are clearly defined. Internal control procedures have been established based on the risk inherent in the individual business unit.

The internal audit department plays an important role in the Group's internal control framework. It monitors the effectiveness of the internal control procedures and ensures compliance with the policies and standards across the whole Group. A direct reporting line to the audit committee under the board of directors safeguards its independence. The audit committee meets periodically to review and discuss financial performance, internal control, compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

### (2) Credit risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to clients, intermediaries and reinsurers, and other activities undertaken by the Group. To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's insurance receivables are widely dispersed in different intermediaries and direct customers from different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, held-to-maturity securities, available-for-sale securities, loans and advances and other assets, and amounts due from associates and joint ventures, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

### (3) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of business units.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. insurance receivables) and the projected cash flows from operations.

### Financial Risk Management Objectives and Policies (continued)

#### (4) Capital management

Externally imposed capital requirements are mainly set and regulated by the Hong Kong Insurance Authority. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing any shortfalls between the reported and required Relevant Amount, as defined in section 10 of the Hong Kong Insurance Companies Ordinance, on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Group fully complied with the externally imposed requirements of Relevant Amount during the reported financial periods and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

The required Relevant Amount is determined by the application of a formula that contains variables for premiums and claims, expenses and reserve items. It also takes into account distribution of assets and investment returns.

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 30th June, 2014, the Group has no net debt.

#### (5) Interest rate risk management

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and fixed until maturity.

#### (6) Foreign exchange risk management

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from its overseas operations, reinsurance and investment activities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange positions and will consider hedging those significant foreign currency exposures should the need arise.

### Financial Risk Management Objectives and Policies (continued)

#### (7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent 98% of its total gross premiums written.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical area. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The majority of reinsurance business ceded is placed on both the proportional and excess of loss basis with retention limits varying by product line and territory. Excess-of-loss reinsurance is designed to mitigate the Group's net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreement.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. The Group also considers the long-established business relationship with the reinsurers.

The Group also has limited its exposure to a certain level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, such as hurricanes, earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit the exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. For a single realistic catastrophic event, this maximum amount is less than 5% of the shareholders' equity of the wholly-owned subsidiary, Asia Insurance Company, Limited, on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of the shareholders' equity of the wholly-owned subsidiary, Asia Insurance Company, Limited.

### Financial Risk Management Objectives and Policies (continued)

#### (8) Operational risk management

Operational risk is the risk of financial loss resulting from procedural errors, system failures, frauds and other events.

The Group manages operational risk by maintaining adequate documentation of its operating procedures to facilitate training and quality performance. A proper internal control system is incorporated in the operation workflow to minimise the risk of losses caused by human errors. To reduce the interruptions to business activities caused by system failures or natural disasters, back-up systems and contingency business resumption plans are in place for critical business and back-office functions. Detailed recovery procedures are properly documented, with periodic drills conducted to ensure that the procedures are current and correct.

#### (9) Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss and available-for-sale securities as at 30th June, 2014. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, the United States, and Thailand and are valued at quoted market prices at the end of the reporting period.

The Group monitors market risk by establishing limits for transactions, open positions and stop-loss. These limits are reviewed and approved by the Investment Committee periodically and are monitored on a daily basis.

## Directors' Interests in Shares

As at 30th June, 2014, the interests of the Company's directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital <sup>(1)</sup>
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Chan Yau Hing Robin	–	–	576,859,712 <sup>(2)</sup>	576,859,712	56.60
Chan Bernard Charnwut	1,382,334	–	–	1,382,334	0.14
Wong Kok Ho	810,000	430,000	–	1,240,000	0.12
Ng Song Hin	–	–	11,571,827 <sup>(3)</sup>	11,571,827	1.14
Sophonpanich Choedchu	1,055,107	–	–	1,055,107	0.10
Chow Suk Han Anna	41,559	–	–	41,559	0.00

Notes:

(1) Based on 1,019,200,000 shares in issue as at 30th June, 2014.

(2) Out of the 576,859,712 shares, (i) 566,069,712 shares were held through Claremont Capital Holdings Ltd ("Claremont Capital"), (ii) 8,830,000 shares were held through Robinson Enterprise Limited, (iii) 1,127,000 shares were held through Asia Panich Investment Company (Hong Kong) Limited ("Asia Panich") and (iv) 833,000 shares were held through Man Tong Company Limited ("Man Tong"). More than one third of the issued share capital of Claremont Capital, Asia Panich and Man Tong are held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Dr. Chan Yau Hing Robin.

(3) Mr. Ng Song Hin was deemed to be interested in 11,571,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. Ng Song Hin.

In addition to the above, Dr. Chan Yau Hing Robin and Mr. Wong Kok Ho have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30th June, 2014, none of the Company's directors and chief executives had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Other Information

### Substantial Shareholders' and Other Persons' Interests

As at 30th June, 2014, the following persons (other than the directors or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital <sup>(a)</sup>
Cosmos Investments Inc.	(b), (c)	568,029,712	55.73
Claremont Capital Holdings Ltd	(b)	566,069,712	55.54
Bangkok Bank Public Company Limited		95,488,236	9.37
Sompo Japan Insurance Inc.		52,563,020	5.16
Aioli Nissay Dowa Insurance Company, Limited		52,550,175	5.16

Notes:

- (a) Based on 1,019,200,000 shares in issue as at 30th June, 2014.
- (b) These shares have been included in the interest disclosure of Dr. Chan Yau Hing Robin as set out in the section "Directors' Interests in Shares" above.
- (c) Cosmos Investments Inc. was deemed to be interested in 568,029,712 shares in which 566,069,712 shares were held by Claremont Capital, 1,127,000 shares were held by Asia Panich and 833,000 shares were held by Man Tong since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong, respectively.

Save as disclosed above, as at 30th June, 2014, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30th June, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### Changes in the Board

Mr. Lau Ki Chit retired as the non-executive director of the Company with effect from 7th May, 2014 due to his decision to devote more time to his personal affairs. The Board welcomed the appointment of Mr. Junichi Tanaka as the non-executive director of the Company effective on 7th May, 2014.

### Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in the information of directors of the Company since the date of its Annual Report 2013 are set out below:

The fees for the Chairman of the Board and each director of the Company have been revised from HK\$70,000 and HK\$50,000 per annum to HK\$80,000 and HK\$60,000 per annum respectively with effect from the year ending 31st December, 2014. This increase in directors' fee was approved in the Company's Annual General Meeting held on 7th May, 2014. The fee for each director of Asia Insurance has also been revised from HK\$30,000 to HK\$40,000 per annum with effect from the year ending 31st December, 2014.



**Changes in Directors' Information** (continued)

*Dr. Chan Yau Hing Robin*, will entitle to receive a fee of HK\$120,000 (2013: HK\$100,000) per annum for being the Chairman of the Company and Asia Insurance.

*Mr. Chan Bernard Charnwut*, resigned as a non-executive director of New Heritage Holdings Ltd., a company listed on the Stock Exchange, on 5th June, 2014. He will entitle to receive a fee of HK\$160,000 (2013: HK\$140,000) per annum for being a director of the Company and Asia Insurance, and a member of the Remuneration Committee, the Nomination Committee and the Compliance Committee.

*Mr. Stephen Tan*, was appointed as an independent non-executive director of China Motor Bus Company, Limited, a company listed on the Stock Exchange, with effect from 1st April, 2014. He will entitle to receive a fee of HK\$80,000 (2013: HK\$70,000) per annum for being a director of the Company and a member of the Compliance Committee.

*Mr. Wong Kok Ho*, will entitle to receive a fee of HK\$100,000 (2013: HK\$80,000) per annum for being a director of the Company and Asia Insurance. Since June 2014, he has become a councillor of the Employees Compensation Insurer Insolvency Bureau (the "ECIIB") and ceased to be the Chairman of the ECIIB.

*Mr. Sophonpanich Choedchu*, will entitle to receive a fee of HK\$100,000 (2013: HK\$80,000) per annum for being a director of the Company and Asia Insurance.

*Mr. Ng Song Hin*, will entitle to receive a fee of HK\$60,000 (2013: HK\$50,000) per annum for being a director of the Company.

*Ms. Chan Yeow Toh*, will entitle to receive a fee of HK\$100,000 (2013: HK\$80,000) per annum for being a director of the Company and Asia Insurance.

*Mr. Yamaguchi Yoshihiro*, will entitle to receive a fee of HK\$60,000 per annum (2013 pro-rata: HK\$30,685) for being a director of the Company.

*Mr. Tanaka Junichi*, was appointed as a non-executive director of Sompo Japan Sigorta A.S., which is 90% owned subsidiary of Sompo Japan Insurance Inc. on 2nd June, 2014. He will entitle to receive a fee (pro-rata) of HK\$39,288 in 2014 (2013: Nil) for being a director of the Company effective on 7th May 2014.

*Mr. Ma Andrew Chiu Cheung*, will entitle to receive a fee of HK\$190,000 (2013: HK\$170,000) per annum for being a director of the Company and Asia Insurance, Chairman of the Audit Committee, and a member of the Remuneration Committee, the Nomination Committee and the Compliance Committee.

*Ms. Chow Suk Han Anna*, will entitle to receive a fee of HK\$200,000 (2013: HK\$180,000) per annum for being a director of the Company and Asia Insurance, Chairman of both the Nomination Committee and the Compliance Committee, and a member of both the Audit Committee and the Remuneration Committee.

*Mr. Siao Chi Lam Kenneth*, will entitle to receive a fee of HK\$100,000 (2013: HK\$90,000) per annum for being a director of the Company and a member of both the Compliance Committee and the Audit Committee.

*Dr. Wong Yu Hong Philip*, will entitle to receive a fee of HK\$100,000 (2013: HK\$80,000) per annum for being a director of the Company and Asia Insurance.

*Mrs. Lai Ko Wing Yee Rebecca*, will entitle to receive a fee of HK\$190,000 (2013: HK\$170,000) per annum for being a director of the Company and Asia Insurance, Chairman of the Remuneration Committee, and a member of the Audit Committee, the Nomination Committee and the Compliance Committee.

### The Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions (the "Code") on terms no less exacting than the required standards in the Model Code as set out in Appendix 10 of the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Code throughout the six months ended 30th June, 2014.

### Corporate Governance Code

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2014, with the exception of Code Provision A.5.6 (disclosure of Board Diversity Policy ("Policy") in the corporate governance report). The Company has established its Policy and has fully disclosed it on the Company's website but inadvertently omitted to disclose the summary of the Policy in the corporate governance report of the 2013 Annual Report.

In achieving the diversity of the Board, the Company will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and also other factors based on its business model and specific needs. All Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

