



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

For the six months ended 30th June, 2015

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Corporate Information

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

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

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

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

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Website : www.afh.hk
Email : 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\$260.1 million in the first half of 2015, a 36.9% increase over the same period in 2014. This rise reflected healthy increase in underwriting profits, and realised and unrealised 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.

Prospects for the second half of the year are clouded by uncertainties facing global markets. Looking ahead, our focus remains very much on the insurance, retirement and other individual and family services sectors in Asia, which will be increasingly important to our longer-term direct investment strategy.

Economic Background

Hong Kong and the rest of Greater China saw slowing economic growth in the first half of 2015. Mainland China is experiencing weakening overseas demand and gradual sectoral rebalancing. This affected Hong Kong – most visibly in terms of slowing tourist numbers and spending. However, Hong Kong's domestic demand and employment levels remained strong. On the whole, continued domestic economic strength created a positive environment for Asia Financial's insurance operations.

Markets generally performed well in the first half of 2015, and this benefited our net profit for the period. Specifically, the Hang Seng Index rose 11.2% in the year to mid-2015 and H Shares rose 8.3%, while the main US indices remained roughly level.

Management Approach and Future Prospects

The global outlook at mid-2015 is not encouraging. China's structural readjustment is likely to continue affecting global demand for commodities and Hong Kong services exports. The recent sharp drop in China's stock market – which has also affected the Hong Kong market – suggests poorer returns on equities in the second half of the year and possible weakening of mainland and local consumer spending. The United States is likely to experience its first interest rate increases in nine years, which also points to possible softening of asset prices. In the background are potential problems in the euro zone arising from the Greek debt crisis. On a brighter note, we expect Hong Kong's fundamentals as a market to remain attractive, with its currency stability, absence of any significant capital outflow and its leading role as a financial centre.

Given this broadly unfavourable medium-term global outlook, Asia Financial's management strategy is to maintain a conservative core investment approach and prudent 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 Hong Kong infrastructure and construction. We will actively 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.

The longer-term outlook gives us continued cause for optimism. Despite some inevitable challenges, China's leadership seems determined to continue structural adjustment through increased consumption, urbanization and financial and other reforms. Other parts of East Asia are continuing their own long-term reforms and development. The region is in the midst of a major transformation involving the rise of large middle classes, gradually aging societies and greater use of market-based solutions to demographic and other policy challenges.

This is the long-term environment on which Asia Financial's management focuses. We will continue to build on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Greater China and elsewhere in Asia. Our existing range 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, 13th August, 2015

Management Discussion and Analysis

Overview by Investment Segments

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved profit attributable to shareholders of HK\$229.0 million in the first half of 2015, a 68.6% increase compared with the same period in 2014.

Turnover fell by 10.1% as Asia Insurance reduced exposure to segments experiencing intense competition in pricing, mostly like property insurance and employees’ compensation. This selective response to market conditions contributed to the very healthy 82.4% growth in underwriting profit. (All the above figures are before elimination of intergroup transactions.) This was helped by an absence of exposure to certain major catastrophes in earlier periods or to more recent natural disasters.

The growth in underwriting 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.

Unrealised gains in investments rose significantly, reflecting in particular the strong year-on-year performances in core holdings. Realised gains on investments were in line with market performance. Dividend income was steady and in line with overall yields. Other income improved, reflecting the disposal gain in property and reduction in foreign-exchange revaluation loss. 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 kept costs in line with inflation and market trends in pay.

The outlook for profit growth in Asia Insurance’s core underwriting activities looks reasonable for the second half of 2015 and beyond. We will continue 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. This strength plays an important role in ensuring healthy underwriting profitability.

Investment performance is likely to be affected by the poorer global and regional outlook in terms of economic performance and interest rate policy. Under these generally negative conditions, we will maintain a prudent approach towards portfolio management.

Joint ventures and associates in the insurance segment delivered good results in the first half of 2015. The People’s Insurance Company of China (Hong Kong) Limited achieved a healthy increase in profit, as did BC Reinsurance Limited; both were helped by good investment returns. Hong Kong Life Insurance Limited enjoyed stable performance, while Professional Liability Underwriting Services Limited continued to deliver steady results. Looking further ahead, all these companies look well positioned for future 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 RMB67.0 billion in premium income for the first half of 2015, a 15.5% increase over the same period in 2014. 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 14.6% of our total assets.

Other Portfolio Investment

Realised and unrealised year-on-year gains on trading investments showed healthy increases in the first half of 2015. This particularly reflected gains in the Hong Kong market. Returns from non-traded investments saw a satisfactory rise. Net interest income weakened in line with a reweighting away from bonds. Income from other subsidiaries declined year-on-year, following the disposal of assets in the first half of 2014.

Overview by Investment Segments (continued)

Other Portfolio Investment (continued)

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 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 ongoing uncertainty concerning future economic growth and monetary policy in all major economies, our investment strategy will remain cautious but flexible. 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.

Health Care and Wellness

Our 3.6% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our best-performing investments, with its valuation rising 29.1% 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.

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

The Kinnet, our wholly owned Hong Kong wellness centre aimed at healthy aging, opened last October. Facilities 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. So far, we are building awareness in the market and spending efforts on increasing the number of cardholders. We are exploring possible partnerships with other organizations in order to build the client base.

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”), one of our joint ventures, continued to enjoy growth in assets under management and achieved an acceptable increase in profit in the first half of 2015, helped by the rise in market values. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong. It is also successful in providing services to third parties in the sector.

Property Development

The Group’s interests in real estate are focused on Shanghai and represent 3.2% 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. After successful sales of Phases 1 and 2 in past years, construction of Phase 3 should begin by end-2015.

Work on a smaller site is now underway. Although government regulations to discourage speculation are still in place, the units at this project are attractively designed and demand has proved very healthy, with the majority of units offered already sold. Profits from this project will be booked upon occupation, which will commence in 2016.

Prospects for China’s residential property market and 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

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and cash equivalents as at 30th June, 2015 amounted to HK\$2,013,861,000 (31st December, 2014: HK\$2,172,877,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2015 (31st December, 2014: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2016 and charged at 1.25% 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, 2015. 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 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.

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, 2015, Asia Insurance charged assets with a carrying value of HK\$128,579,000 (31st December, 2014: HK\$128,853,000) 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 equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2014: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2014: HK\$150,000,000).

Contingent Liabilities

As at 30th June, 2015, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.6 million) (31st December, 2014: 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 Insurance Company Limited. 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, 2015 was approximately 294 (31st December, 2014: 281). 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, 2015. 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 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.



Interim Results Highlights

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, 2015 as follows:

Profit attributable to equity holders of the Company:	HK\$260.1 million	+36.9%
Earnings per share:	HK25.5 cents	+37.1%
Interim dividend per share:	HK3.6 cents	+20.0%

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

Review of Interim Financial Statements

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2015 and recommended it for the Board’s approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK3.6 cents (2014: HK3.0 cents) per ordinary share for the six months ended 30th June, 2015 payable on or about Friday, 25th September, 2015 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 16th September, 2015.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 14th September, 2015 to Wednesday, 16th September, 2015, 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 Friday, 11th September, 2015.

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2015

	Notes	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
REVENUE	3	608,847	678,126
Gross premiums		608,847	678,126
Reinsurers' share of gross premiums		(176,996)	(195,143)
Change in unearned premiums reserve		24,320	(6,468)
Change in life reserve		(5,826)	(3,542)
Net insurance contracts premiums revenue		450,345	472,973
Gross claims paid		(198,419)	(246,643)
Reinsurers' share of gross claims paid		47,165	73,315
Gross change in outstanding claims		(106,089)	(86,246)
Reinsurers' share of gross change in outstanding claims		31,629	(23,985)
Net claims incurred		(225,714)	(283,559)
Commission income		31,014	34,607
Commission expense		(125,934)	(142,921)
Net commission expense		(94,920)	(108,314)
Management expenses for underwriting business		(28,441)	(25,692)
Underwriting profit		101,270	55,408
Dividend income		50,831	44,042
Realised gain on investments		33,333	10,780
Unrealised gain on investments		77,825	64,175
Interest income		35,328	36,644
Other income and gains, net		(16)	(4,038)
		298,571	207,011
Operating expenses		(59,316)	(45,875)
Finance costs	4	(1,203)	(1,171)
		238,052	159,965
Share of profits and losses of joint ventures		37,619	17,930
Share of profits and losses of associates		17,427	29,844
PROFIT BEFORE TAX	5	293,098	207,739

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2015

	Notes	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
Income tax expense	6	(27,950)	(10,836)
PROFIT FOR THE PERIOD		265,148	196,903
Attributable to:			
Equity holders of the Company		260,051	190,021
Non-controlling interests		5,097	6,882
		265,148	196,903
INTERIM DIVIDEND	7	36,691	30,576
INTERIM DIVIDEND PER SHARE	7	HK3.6 cents	HK3.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic – For profit for the period		HK25.5 cents	HK18.6 cents
Diluted – For profit for the period		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2015

	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE PERIOD	265,148	196,903
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	127,405	245,481
Share of other comprehensive income/(expense) of joint ventures:		
Changes in available-for-sale investment reserve	1,473	(58)
Changes in exchange reserve	(912)	1,414
	561	1,356
Share of other comprehensive expense of associates:		
Changes in available-for-sale investment reserve	(66)	(90)
Changes in exchange reserve	(1,242)	(8,046)
	(1,308)	(8,136)
Exchange differences on translation of foreign operations	23	61
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	126,681	238,762
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	391,829	435,665
ATTRIBUTABLE TO:		
Equity holders of the Company	386,744	428,809
Non-controlling interests	5,085	6,856
	391,829	435,665



Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2015

	Notes	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
ASSETS			
Property, plant and equipment	9	332,618	337,592
Investment properties		9,600	9,600
Interests in joint ventures		289,468	254,438
Loan to a joint venture		8,669	8,669
Interests in associates		343,925	329,426
Due from an associate		168,390	168,390
Deferred tax assets		1,913	5,756
Held-to-maturity securities	10	584,679	554,224
Available-for-sale securities	11	3,527,777	3,400,372
Pledged deposits	15	148,236	131,730
Loans and advances and other assets	12	159,872	188,225
Securities measured at fair value through profit or loss	13	2,026,887	1,636,611
Insurance receivables	14	239,730	208,927
Reinsurance assets		572,843	554,315
Cash and cash equivalents	15	2,013,861	2,172,877
Total assets		10,428,468	9,961,152
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		1,019,200	1,019,200
Reserves		6,188,395	5,838,342
Proposed dividend		36,691	50,960
Non-controlling interests		7,244,286	6,908,502
		43,476	38,391
Total equity		7,287,762	6,946,893
Liabilities			
Insurance contract liabilities		2,465,887	2,391,392
Insurance payables		161,411	138,144
Due to a joint venture		26,065	26,589
Due to associates		4,222	4,222
Other liabilities		249,844	244,713
Interest-bearing bank borrowing	16	150,000	150,000
Tax payable		73,431	49,353
Deferred tax liabilities		9,846	9,846
Total liabilities		3,140,706	3,014,259
Total equity and liabilities		10,428,468	9,961,152



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

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2015

	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, 2015	1,019,200	560,531	52,725	1,211,075	46,071	32,343	2,427	513,240	38,821	3,381,109	50,960	6,908,502	38,391	6,946,893
Profit for the period	-	-	-	-	-	-	-	-	-	260,051	-	260,051	5,097	265,148
Other comprehensive income/(expense) for the period:														
Changes in fair value of available-for-sale securities	-	-	-	127,405	-	-	-	-	-	-	-	127,405	-	127,405
Share of changes in available-for-sale investment reserve of joint ventures	-	-	-	1,473	-	-	-	-	-	-	-	1,473	-	1,473
Share of changes in available-for-sale investment reserve of associates	-	-	-	(54)	-	-	-	-	-	-	-	(54)	(12)	(66)
Share of changes in exchange reserve of a joint venture	-	-	-	-	-	(912)	-	-	-	-	-	(912)	-	(912)
Share of changes in exchange reserve of associates	-	-	-	-	-	(1,242)	-	-	-	-	-	(1,242)	-	(1,242)
Exchange differences on translation of foreign operations	-	-	-	-	-	23	-	-	-	-	-	23	-	23
Total comprehensive income/(expense) for the period	-	-	-	128,824	-	(2,131)	-	-	-	260,051	-	386,744	5,085	391,829
Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	-	(50,960)	(50,960)	-	(50,960)
Proposed interim 2015 dividend	-	-	-	-	-	-	-	-	-	(36,691)	36,691	-	-	-
Transfer to contingency reserve	-	-	5,335	-	-	-	-	-	-	(5,335)	-	-	-	-
At 30th June, 2015	1,019,200	560,531*	58,060*	1,339,899*	46,071*	30,212*	2,427*	513,240*	38,821*	3,599,134*	36,691	7,244,286	43,476	7,287,762

* These reserve accounts comprise the consolidated reserves of HK\$6,188,395,000 (31st December, 2014: HK\$5,838,342,000) 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, 2015

	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

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2015

	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	293,098	207,739
Adjustments for:		
Interest income	(35,328)	(36,644)
Finance costs	1,203	1,171
Dividend income from investments	(50,813)	(44,042)
Loss/(gain) on redemption/call-back of held-to-maturity securities	14	(10)
Gain on disposal of available-for-sale securities	(54)	(12,182)
Impairment/(write-back of impairment) of insurance receivables	(1)	6
Depreciation	7,189	4,154
Gain on disposal of items of property, plant and equipment	(109)	(98)
Share of profits and losses of joint ventures	(37,619)	(17,930)
Share of profits and losses of associates	(17,427)	(29,844)
	160,153	72,320
Decrease/(increase) in loans and advances and other assets	28,353	(6,159)
Increase in securities measured at fair value through profit or loss	(390,276)	(10,051)
Increase in insurance receivables	(30,802)	(15,126)
Decrease/(increase) in reinsurance assets	(18,528)	19,390
Decrease/(increase) in time deposits with original maturity of over three months	78,182	(96,543)
Increase in insurance contract liabilities	74,495	100,852
Increase/(decrease) in insurance payables	23,267	(16,720)
Increase/(decrease) in other liabilities	5,154	(23,577)
	(70,002)	24,386
Hong Kong profits tax refund	–	10
Overseas taxes paid	(29)	(70)
	(70,031)	24,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	35,328	36,644
Dividends received from investments	50,813	44,042
Dividends received from joint ventures	3,150	2,100
Dividends received from associates	1,620	2,025
Purchases of held-to-maturity securities	(32,795)	(44,323)
Proceeds from redemption/call back of held-to-maturity securities	2,326	125,405
Proceeds from disposal of available-for-sale securities	54	72,882
Purchases of items of property, plant and equipment	(2,251)	(188,063)
Proceeds from disposal of items of property, plant and equipment	145	310
Capital contribution to an associate	–	(25,812)
Increase/(decrease) in an amount due to a joint venture	(524)	488
Increase in pledged deposits	(16,506)	(11,650)
	41,360	14,048

.....continued



Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2015

	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of a bank borrowing	-	(50,000)
Dividend paid to non-controlling interests	-	(630)
Dividends paid	(50,960)	(45,864)
Interest paid	(1,203)	(1,171)
Net cash flows used in financing activities	(52,163)	(97,665)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,621,990	1,277,362
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,541,156	1,218,071
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	123,886	148,389
Non-pledged time deposits with original maturity of over three months when acquired	472,705	386,114
Non-pledged time deposits with original maturity of less than three months when acquired	1,417,270	1,069,682
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	2,013,861	1,604,185
Less: Non-pledged time deposits with original maturity of over three months when acquired	(472,705)	(386,114)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	1,541,156	1,218,071



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, 2014 except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"), which are effective for accounting period beginning on or after 1st January, 2015 and as disclosed below.

Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

Adoption of these 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
For the six months ended 30th June, 2015				
Segment revenue:				
External customers	608,847	-	-	608,847
Other revenue, income and gains, net	134,833	62,468	-	197,301
Intersegment	6,059	-	(6,059)	-
Total	749,739	62,468	(6,059)	806,148
Segment results	208,762	29,290	-	238,052
Share of profits and losses of:				
Joint ventures	25,121	12,498	-	37,619
Associates	17,692	(265)	-	17,427
Profit before tax				293,098
Income tax expense	(24,107)	(3,843)	-	(27,950)
Profit for the period				265,148



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, 2014				
Segment revenue:				
External customers	678,126	–	–	678,126
Other revenue, income and gains, net	94,334	57,269	–	151,603
Intersegment	2,098	–	(2,098)	–
Total	774,558	57,269	(2,098)	829,729
Segment results	124,417	35,548	–	159,965
Share of profits and losses of:				
Joint ventures	8,888	9,042	–	17,930
Associates	11,268	18,576	–	29,844
Profit before tax				207,739
Income tax expense	(9,358)	(1,478)	–	(10,836)
Profit for the period				196,903
Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000	
30th June, 2015				
Segment assets	5,513,326	4,281,749	9,795,075	
Interests in joint ventures	178,235	111,233	289,468	
Interests in associates	156,297	187,628	343,925	
Total assets	5,847,858	4,580,610	10,428,468	
Segment liabilities	2,826,339	314,367	3,140,706	
Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000	
31st December, 2014				
Segment assets	5,379,882	3,997,406	9,377,288	
Interests in joint ventures	154,822	99,616	254,438	
Interests in associates	140,291	189,135	329,426	
Total assets	5,674,995	4,286,157	9,961,152	
Segment liabilities	2,674,742	339,517	3,014,259	



Notes to the Interim Financial Statements (Unaudited)

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

	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
Interest on a bank loan wholly repayable within five years	1,203	1,171

5. Profit Before Tax

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

	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
Auditors' remuneration	(1,490)	(1,353)
Depreciation	(7,189)	(4,154)
Employee benefits expense (including directors' remuneration)	(59,936)	(47,897)
Minimum lease payments under operating leases in respect of land and buildings	(556)	(701)
Realised gain/(loss) on: – disposal of securities measured at fair value through profit or loss (held for trading), net	33,293	(1,412)
– disposal of available-for-sale securities	54	12,182
– redemption/call back of held-to-maturity securities	(14)	10
Total realised gain on investments	33,333	10,780
Unrealised gain on securities measured at fair value through profit or loss (held for trading), net	77,825	64,175
Interest income	35,328	36,644
Gain on disposal of items of property, plant and equipment	109	98
Write-back of impairment/(impairment) of insurance receivables	1	(6)
Dividend income from: Listed investments	33,946	36,117
Unlisted investments	16,885	7,925
Total dividend income	50,831	44,042



6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	20,545	6,862
Charge for the period		
Current – Elsewhere	3,562	2,619
Charge for the period		
Deferred	3,843	1,355
Total tax charge for the period	27,950	10,836

7. Dividend

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK3.6 cents (2014: HK3.0 cents) per ordinary share based on 1,019,200,000 (2014: 1,019,200,000) shares in issue	36,691	30,576

The Board has resolved to pay an interim dividend of HK3.6 cents per share (2014: HK3.0 cents), which will be paid in cash, for the six months ended 30th June, 2015 payable on or about 25th September, 2015 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 16th September, 2015.

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\$260,051,000 (2014: HK\$190,021,000) and 1,019,200,000 (2014: 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, 2015 and 2014 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.

Notes to the Interim Financial Statements (Unaudited)

10. Held-to-maturity Securities

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	216,679	193,337
Listed debt securities outside Hong Kong, at amortised cost	193,956	231,308
Unlisted debt securities, at amortised cost	174,044	129,579
 Total held-to-maturity securities	584,679	554,224
 Fair value of listed and unlisted held-to-maturity securities	615,384	584,202

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:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Public sector entities	3,630	3,664
Banks and other financial institutions	347,917	322,458
Corporate entities	233,132	228,102
 584,679	 554,224	

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

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
With a residual maturity of:		
Three months or less	19,503	–
One year or less but over three months	11,427	29,640
Five years or less but over one year	352,774	323,490
Over five years	200,975	201,094
 584,679	 554,224	

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, 2015, listed debt securities of the Group amounting to HK\$128,579,000 (31st December, 2014: HK\$128,853,000) were pledged.



11. Available-for-sale Securities

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Listed equity in Hong Kong, at fair value	189,018	181,320
Listed equity outside Hong Kong, at fair value	1,749,228	1,629,521
 Total listed available-for-sale securities	 1,938,246	 1,810,841
 Unlisted equity, at cost	 1,621,587	 1,621,587
Less: Impairment	 (32,056)	 (32,056)
 Total unlisted available-for-sale securities	 1,589,531	 1,589,531
 Unlisted debt, at cost	 6,213	 6,213
Less: Impairment	 (6,213)	 (6,213)
 Total available-for-sale securities	 3,527,777	 3,400,372
 The available-for-sale securities as at the end of the reporting period, analysed by the sector of the issuers, are as follows:		
	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Banks and other financial institutions	2,331,431	2,426,033
Corporate entities	1,196,346	974,339
 Total available-for-sale securities	 3,527,777	 3,400,372

Particulars of certain available-for-sale securities of the Group, of which the carrying amount at 30th June, 2015 amounted to HK\$2,298,101,000 (31st December, 2014: HK\$2,397,609,000) are as follows:

Name	Place of registration	Class of equity held	Proportion held
<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%

Notes to the Interim Financial Statements (Unaudited)

11. Available-for-sale Securities (continued)

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\$127,405,000 (30th June, 2014: HK\$245,481,000).

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\$1,589,531,000 (31st December, 2014: HK\$1,589,531,000) 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, 2015, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2014: HK\$150,000,000) (note 16).

12. Loans and Advances and Other Assets

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Loans and advances	21,210	22,420
Accrued interest and other assets	138,662	165,805
Gross loans and advances and other assets	159,872	188,225

The Group's accrued interest and other assets are current in nature. 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:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Repayable on demand	-	-
With a residual maturity of:		
Three months or less	502	543
One year or less but over three months	1,351	1,556
Five years or less but over one year	7,202	7,364
Over five years	12,155	12,957
	21,210	22,420



13. Securities Measured at Fair Value through Profit or Loss

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	114,216	100,578
– listed outside Hong Kong, at fair value	151,261	167,803
– unlisted, at quoted market price	41,634	42,867
	307,111	311,248
Equity securities at fair value:		
– listed in Hong Kong	519,767	367,314
– listed outside Hong Kong	507,688	378,319
	1,027,455	745,633
Investment funds:		
– unlisted, at quoted price	692,321	579,730
Total	2,026,887	1,636,611

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:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Public sector entities	21,407	20,108
Banks and other financial institutions	494,017	387,450
Corporate entities	1,511,463	1,229,053
	2,026,887	1,636,611

Securities measured at fair value through profit or loss at 30th June, 2015 and 31st December, 2014 were classified as held for trading.

As at 30th June, 2015, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2014: HK\$150,000,000) (note 16).

14. Insurance Receivables

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Amounts due in respect of:		
Direct underwriting	153,598	101,386
Reinsurance accepted	86,132	107,541
	239,730	208,927

The Group grants credit terms of three months to six 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.

Notes to the Interim Financial Statements (Unaudited)

14. Insurance Receivables (continued)

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.

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:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Three months or less	227,761	200,134
Six months or less but over three months	1,450	10,769
One year or less but over six months	12,570	261
Over one year	714	529
	<hr/>	<hr/>
Less: Impairment allowances	242,495 (2,765)	211,693 (2,766)
	<hr/>	<hr/>
	239,730	208,927
	<hr/>	<hr/>

15. Cash and Cash Equivalents and Pledged Deposits

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Cash and bank balances	123,886	219,650
Time deposits with original maturity of over three months	472,705	550,887
Time deposits with original maturity of less than three months	1,417,270	1,402,340
	<hr/>	<hr/>
	2,013,861	2,172,877
	<hr/>	<hr/>
Pledged deposits	148,236	131,730
	<hr/>	<hr/>
	2,162,097	2,304,607
	<hr/>	<hr/>

16. Interest-bearing Bank Borrowing

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Interest-bearing bank loan, secured	150,000	150,000
	<hr/>	<hr/>

The bank loan bears interest at 1.25% (31st December, 2014: 1.15%) over the 3-month Hong Kong Interbank Offered Rate per annum, is repayable on or before 30th January, 2016, and is secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2014: HK\$150,000,000) (notes 11 and 13).



17. Contingent Liabilities

As at 30th June, 2015, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.6 million) (31st December, 2014: 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

The Group had capital commitments as follows at the end of the reporting period:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Contracted, but not provided for:		
Acquisition of computer software	900	900

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

19. Related Party Transactions

(a) Group

	30th June, 2015 Enterprises and individuals related to directors and key management personnel HK\$'000	31st December, 2014 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	-	55
Interbank activities:		
Deposits placed	-	714,028
		1,141,089

Notes to the Interim Financial Statements (Unaudited)

19. Related Party Transactions (continued)

(a) Group (continued)

	Six months ended 30th June, 2015		Six months ended 30th June, 2014	
	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000
Interbank activities:				
Interest income	–	5,271	–	2,446
Premium income:				
Gross premiums written	149	4,146	144	3,264
Commission expense, net	–	5,808	–	7,678
Compensation:				
Salaries and short-term employee benefits	6,532	–	6,330	–
Pension scheme contributions	270	–	260	–

Note: The key management personnel were solely the directors of the Company.

(b) The Group had the following transactions with certain of its joint ventures during the period:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	8,669	8,669
Loans and advances received:		
Aggregate balance at the end of the reporting period	25,072	25,761
	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
Interest income received or receivables	122	160
Interest expense paid or payable	993	651
Commission expense paid	17	1,191



19. Related Party Transactions (continued)

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

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	168,390	168,390
	Six months ended 30th June, 2015 HK\$'000	2014 HK\$'000
Reinsurance premium ceded	78	78
Commission expense paid	3,003	4,654

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
At 30th June, 2015			
Available-for-sale securities:			
Equity investments	965,109	973,137	1,938,246
Securities measured at fair value through profit or loss	1,132,784	894,103	2,026,887
	2,097,893	1,867,240	3,965,133

20. Fair Value Hierarchy of Financial Instruments (continued)

	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Fair value measurement using Total HK\$'000
At 31st December, 2014			
Available-for-sale securities:			
Equity investments	1,056,919	753,922	1,810,841
Securities measured at fair value through profit or loss	<u>889,942</u>	<u>746,669</u>	<u>1,636,611</u>
	<u><u>1,946,861</u></u>	<u><u>1,500,591</u></u>	<u><u>3,447,452</u></u>

As at 30th June, 2015 and 31st December, 2014, 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, 2015 and 30th June, 2014, 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, 2015 and 30th June, 2014, 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, intermediates 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 intermediates 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 a joint venture and an associate, 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.

Supplementary Financial Information

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 the 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, 2015, 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 is 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 catastrophic 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 agreements.

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, 2015. 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, 2015, 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				Percentage of the Company's issued share capital ⁽¹⁾
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
CHAN Yau Hing Robin	–	–	576,937,712 ⁽²⁾	576,937,712	56.61
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 ⁽³⁾	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, 2015.
- (2) Out of the 576,937,712 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) 1,205,000 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, 2015, none of the Company's directors and chief executive 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 in Shares

As at 30th June, 2015, 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 ^(a)
Cosmos Investments Inc.	(b), (c)	568,107,712	55.74
Claremont Capital Holdings Ltd	(b)	566,069,712	55.54
Bangkok Bank Public Company Limited		95,488,236	9.37
Sompo Japan Nipponkoa Insurance Inc.		52,563,020	5.16
Aioi 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, 2015.
- (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 568,107,712 shares in which 566,069,712 shares were held by Claremont Capital, 1,205,000 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, 2015, 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, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

The Code for Securities Transactions by Directors

The Company has adopted a code for securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard in the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standards as set out in the Code of Conduct and the Model Code throughout the six months ended 30th June, 2015.

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, 2015, with a deviation from Code Provision A.6.7, namely, Dr. WONG Yu Hong Philip, an independent non-executive director of the Company, was unable to attend the Company's Annual General Meeting held on 20th May, 2015 as he was not in Hong Kong due to other commitment.

