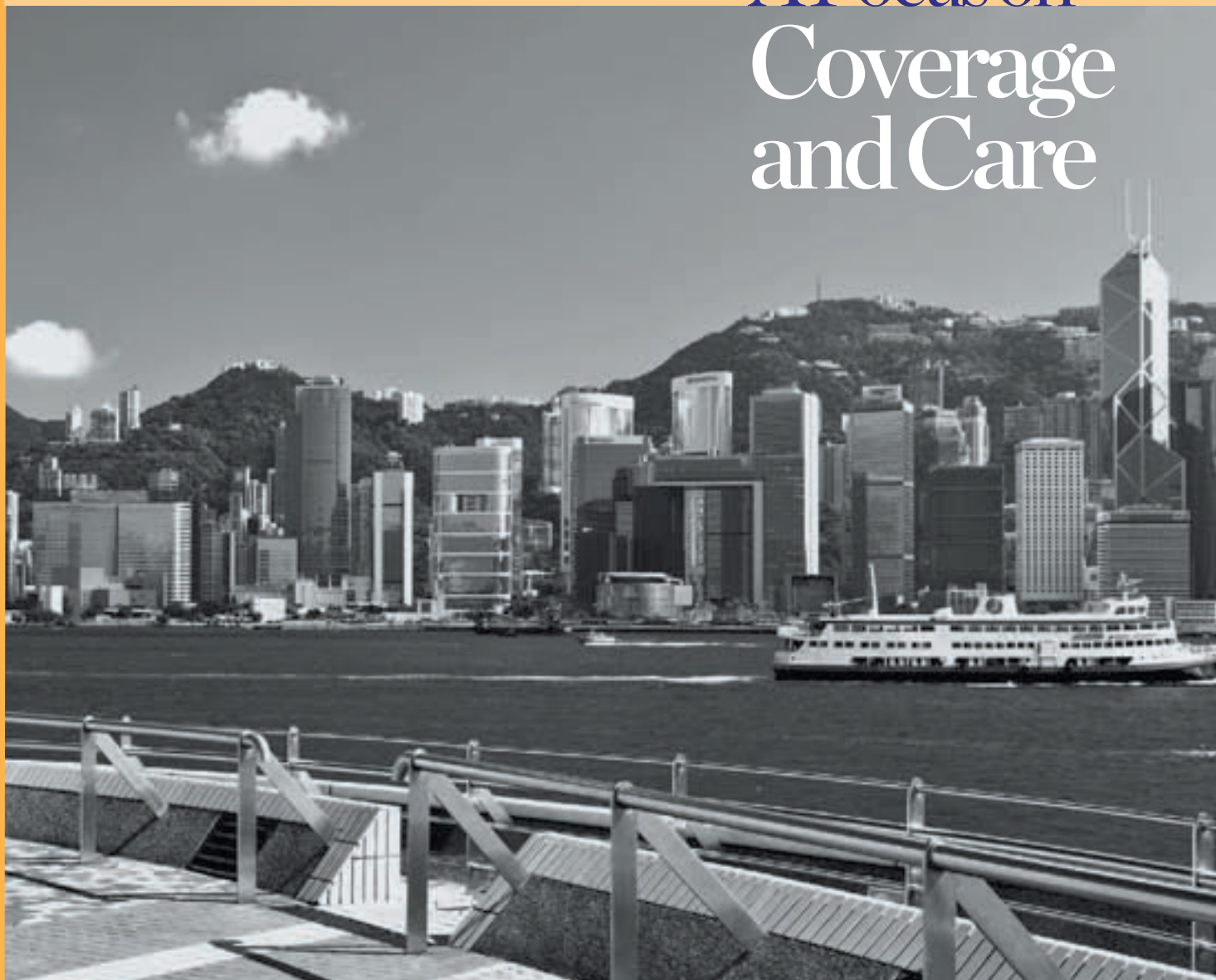




亞洲金融
Asia Financial

Stock Code : 662

A Focus on Coverage and Care



ANNUAL REPORT 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

16th Floor, Worldwide House
19 Des Voeux Road Central
Hong Kong
Tel : (852) 3606 9200
Fax : (852) 2545 3881
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

Principal Bankers

Bangkok Bank Public Company Limited
Hang Seng Bank Limited
Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited

Legal Advisers

Conyers Dill & Pearman
Gallant Y.T. Ho & Co.
Deacons

Share Listing

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

Chairman's Statement



Asia Financial Holdings Limited (“Asia Financial” or the “Company”) achieved net profit attributable to shareholders of HK\$186.1 million in 2015, a 49.1% decrease on the HK\$365.5 million reported in 2014. This result is due to realised and unrealised year-on-year losses in the value of portfolio and other investments, though there was also healthy 42% growth in underwriting profit. Returns from joint ventures and associates generally fell in line with the investment environment.

CHAN Yau Hing Robin

Chairman

Economic Background

The global economy failed to strengthen significantly during 2015. The United States and to some extent Europe achieved moderate growth, but falling commodity prices hit many emerging economies hard. Despite very loose policy by central banks, deflation remained a threat in many economies. The Chinese economy continued to slow down after a period of debt- and investment-led expansion. Globally, investor and consumer confidence remained poor, with only a very minor uptick in interest rates in the US. Hong Kong's growth weakened during the year, though unemployment remained low.

Many asset prices showed signs of peaking during the year. In the United States, the S&P 500 ended the year down 0.7%, and the Hang Seng Index fell 7.2%. This reflected a significant decline in Chinese equities, which saw H Shares fall by 19.4% to the end of 2015. The Yuan unexpectedly fell in the third quarter, and China appeared to be experiencing a degree of capital flight. After years of rises, Hong Kong's property prices also started to decline, partly as a result of policy action to improve affordability.

Management Approach and Future Prospects

The world economy faces real uncertainty in the year ahead. Central banks' quantitative easing is reaching its limits. The US looks relatively positive, with falling unemployment and low oil prices possibly helping to strengthen consumption. China's gradual economic transition is weakening its exports and those of East Asian suppliers, although continued firm consumption in the mainland may benefit other regional economies. Weak demand and overcapacity will probably continue to keep world commodity prices soft. Hong Kong is likely to feel the effects of declining tourist numbers, though the infrastructure-led construction sector should help maintain employment and consumption levels. On the whole, we are likely to see relatively weak growth in most of the economies and markets that affect Asia Financial's performance.

Given this outlook, we will maintain our broadly prudent management of our cash and direct and indirect investments in the coming year. This is our longstanding approach, and it has served our shareholders well over the years. At the same time, we will continue to examine possible investment opportunities within acceptable levels of risk.

Asia Financial's expenses and other income for 2015 included staff and other costs of the first full year's operation of The Kinnet, otherwise steady management costs and income from dividends, as well as unrealised exchange losses. We will be alert to possible upward pressure on costs should consumer price inflation strengthen in Hong Kong during 2016.

Chairman's Statement

Management Approach and Future Prospects (cont'd)

The outlook for our insurance operations is generally positive, despite possibly weaker growth and exchange rates in some markets outside Hong Kong. Management will continue with efforts to flexibly develop the scope of the business and maintain the quality of the client base. The Company will remain alert to possible new opportunities in health care coverage reforms in Hong Kong and in other health-related demographic and geographical sectors.

Our focus will remain very much on the long term, which we believe offers attractive future opportunities arising from the continued positive economic development in much of the East Asian region. In addition to investments in various projects mentioned in "Management Discussion and Analysis", we will continue to seek opportunities to build our interests in livelihood-related service industries such as insurance, retirement, health and wellness, education and property development, focused on Greater China and elsewhere in Asia. This choice of investment segments is based upon the transformation of the Greater China/East Asia region as a large middle class emerges, societies 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, 23rd March, 2016



Management Discussion and Analysis

Key Financial and Business Performance Indicators

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

Profit attributable to equity holders of the Company:	HK\$186.1 million	–49.1%
Earnings per share:	HK18.3 cents	–49.0%
Final dividend per share:	HK1.0 cent	–80.0%
Total dividend per share:	HK4.6 cents	–42.5%
Equity attributable to equity holders of the Company	HK\$7,019.6 million	+1.6%
Total assets	HK\$10,164.0 million	+2.0%
Return on equity:	2.7% (5.6% for 2014)	

Earnings and Dividends

For the year ended 31st December, 2015, the Group recorded net profit attributable to shareholders of HK\$186.1 million, representing a 49.1% decrease when compared to the previous year. These results are due to two main factors: realised and unrealised year-on-year losses in the value of investments, and healthy growth in underwriting profit. Weakness of markets also reduced returns from some joint ventures and associated companies.

The Group's earnings per share for the year 2015 was HK18.3 cents. The Board had declared an interim dividend of HK3.6 cents in August 2015 and proposed a final dividend of HK1.0 cent, making a total dividend for the year of HK4.6 cents per share.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance achieved profit attributable to shareholders of HK\$188.5 million, a decline of 37.3% on the previous year. Turnover declined by 8.2%, largely as a result of persistent competition in the Hong Kong general insurance industry affecting all main segments, especially employees' compensation, liability and motor. Weakness in some regional currencies also affected turnover in dollar terms.

Despite this, underwriting profit increased by a healthy 42.6%. This was largely due to the underlying market strength of the business and a continued active focus on high-quality business. (All the above figures are before elimination of intergroup transactions.) This performance was also helped by continued strength of sectors such as construction in the local and regional economy, and a lack of exposure to any major natural disasters during the reporting period.

This continued positive performance of insurance operations at a time of heightened competition in a sector undergoing consolidation is ultimately due to our basic approach of attracting and growing high-quality business and maintaining prudent balances between levels of reinsurance and direct insurance business and among geographical regions. The success of this approach is evident in Asia Insurance's status as one of Hong Kong's leading local general insurers.

There were no significant changes to the size and reach of our agent network.

Management Discussion and Analysis

Business Review (cont'd)

Insurance (cont'd)

Asia Insurance's securities holdings experienced year-on-year declines in valuations, largely due to realised loss and significant drop in unrealised gain in our trading and other portfolios, notably following serious volatility in the Chinese stock market. Dividend income was stable. Interest income was affected by very low interest rates and bonds denominated in a weakening Yuan.

Other income mainly reflected losses on foreign exchange and the year-on-year effect of one-off gains booked in 2014.

Asia Insurance kept management expenses under control and in line with market pay levels and other business costs.

The main potential problem for Asia Insurance's core business (and indeed for Hong Kong as a whole) would be a major slowdown in the Mainland or wider regional economy. Otherwise, core underwriting in 2016 looks likely to face similar challenges as in 2015, notably fiercer competition on pricing in the market and possibly a weakening of Hong Kong consumption levels. Asia Insurance is well positioned to meet such challenges. It will continue to use its risk-management capabilities to optimize the mix of business segments. And we will retain our long-term focus on maintaining and enhancing our sound reputation among a steadily expanding base of quality clients in the Hong Kong and regional general insurance market.

We are actively exploring cooperation with new partners to expand our sales network. We also continue to monitor the Hong Kong government's proposed measures to expand personal health care coverage, which offers a potential increase in this market.

Prospects for portfolio investments reflect the wider global picture. Given the uncertainty and potential for volatility in major markets, management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment all performed broadly in line with an increasingly challenging environment. BC Reinsurance Limited saw an unrealised loss in investments but satisfactory underwriting profit. The People's Insurance Company of China (Hong Kong) Limited's performance also followed this pattern. Hong Kong Life Insurance Limited's profit was stable, owing to limited exposure to equities. Professional Liability Underwriting Services Limited saw a slight decline in profit.

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. It continues to rank fifth in the Chinese market and operates a network of some 2,233 offices. The company reported RMB89.4 billion in premium income for 2015, a 13.7% increase over 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 adequate levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 15.0% of our total assets.

Business Review (cont'd)

Other Portfolio Investment

Year-on-year realised and unrealised valuations on trading investments fell compared with 2014. This largely reflected the decline in equities during the period. Income from non-trading investments fell, reflecting the year-on-year effect of some one-off gains in 2014, such as the sales of Suzhou property interests. Strategic holdings reported mixed results, partly affected by less favourable exchange rates. Net interest income declined, largely owing to the reduction of bond holdings. Rental and fee incomes under other income remained steady. Exchange losses including Renminbi only accounted for a very small portion of our total assets.

Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. In the near to medium term, we will be especially aware of the potential for volatility in foreign exchange rates and equity markets. 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 36.2% in 2015. This reflects market recognition of Bumrungrad's continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

Our 20% share (in a consortium with Bumrungrad Hospital) in a 51% stake in Ulaanbaatar Songdo Hospital ("UBSD") returned a small loss for the year in dollar terms, owing to the weakening of the local currency. We see this investment as an opportunity to participate in the long-term 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.

Our wholly owned Hong Kong wellness centre, the Kinnet, reported a loss in its first full year of operation. Management is focusing on developing its brand awareness and client base. We see very attractive prospects in Hong Kong and possibly elsewhere in serving the growing senior population. As a producer of future operating income, it will also help diversify Asia Financial's investment 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, including possibly in Mainland China.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, enjoyed satisfactory profit growth in 2015 owing to organic growth. 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.

Management Discussion and Analysis

Business Review (cont'd)

Property Development

The Group's interests in real estate are focused on Shanghai and represent 3.1% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake.

A small sales figure was booked in 2015. Demand for the remaining units is anticipated to be good.

Foundation work and planning are underway for Phase 3 of the project, and construction is expected to begin later in 2016. Sales have commenced for a development on a smaller lot of land in the same district, profit from which should be booked in 2016. Despite competition, demand is proving firm.

Prospects for China's residential property market and possibly future policy – such as an easing of ownership restrictions – are subjects of considerable discussion. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. Prices remain firm at these Shanghai projects, which are aimed at middle-class end-users and are in attractive locations for transport and schools. We will consider new possible opportunities in this sector.

The Group holds 50% in a new investment, Super Win Limited. This comprises residential properties for leasing in Hong Kong's Tseung Kwan O district. The investment showed a loss for the year.

Compliance with Laws and Regulations

The Group takes active steps to ensure compliance with all relevant laws and regulations in all jurisdictions in which it operates, and recognizes the risks of non-compliance. It dedicates sufficient resources and personnel to ensure such compliance, and to maintaining adequate liaison and communication with regulatory authorities. We believe that risks attached to non-compliance are low.

Principal Risks and Uncertainties

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note of "Financial Risk Management Objectivity and Policies" to the consolidated financial statements of the Group in this annual report.

Stakeholders

Asia Financial understands the importance of its relationships with employees, customers, suppliers, investors, regulators, members of the communities in which we operate, and other stakeholders whose actions can affect the Company's performance and value.

Employees

The Company recognizes the vital role that skilled and motivated staff play in its success. Our human resources policy is therefore to encourage, recognize and reward good performance through appropriate training, appraisal and remuneration practices. The Company is confident of its ability to attract high quality staff and believes that risks attached to over-reliance on key personnel are moderate.

Stakeholders (cont'd)

Customers

The Company's main clients are insurance policyholders. Delivery of excellent customer service is a key reason for our consistent underwriting profitability. Diversification of our client base and avoidance of over-dependency on core clients are among our risk management practices.

Shareholders

The Company is committed to creating wealth for our shareholders. This aim is fundamental to all our operations and investment activities.

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2015 was 295 (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 year. 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.

Capital Structure

The Group finances its own working capital requirement through a combination of funds generated from operations and bank borrowings.

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2015 amounted to HK\$2,162,868,000 (2014: HK\$2,172,877,000).

The Group had a bank borrowing of HK\$150,000,000 as at 31st December, 2015 (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 31st December, 2015. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contracts 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.

Management Discussion and Analysis

Charge on Assets

As at 31st December, 2015, Asia Insurance Company, Limited ("Asia Insurance") charged assets with a carrying value of HK\$120,504,000 (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 (2014: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (2014: HK\$150,000,000).

Contingent Liabilities

As at 31st December, 2015, the Group had no material contingent liabilities.



Corporate Social Responsibility Report

Asia Financial is proud to be recognized as a “Caring Company” for the 13th consecutive year since 2003 and in continuing its involvement in community programmes where we can make a positive contribution. Our aim is to maintain and encourage a sense of good corporate citizenship among our workforce and within the workplace as part of the Company’s overall business growth and development.



As well as providing respectful and considerate working conditions and caring for the environment, we continue to work for the benefit of the broader community, particularly through partnerships with social service groups and social enterprises. These relationships serve as a platform for our Group’s efforts in contributing to the community in ways where we can make a genuine difference.

Environmental Protection

Asia Financial supports protection of the natural environment and the pursuit of sustainable economic activity for the future well-being of the planet. We take active steps to be a leader in environmental best practices, including – wherever possible – exceeding statutory and regulatory standards. We have a carbon footprint management strategy aimed at reducing our greenhouse gas emissions on an ongoing basis.

Carbon Footprint Management Strategy

Asia Financial has been implementing continuous measurement and review of its emission profile since 2010. This enables the Group to measure its carbon footprint and plan further reductions in carbon emissions every calendar year. This process evaluates the costs and benefits of the carbon management plan and therefore allows us to quantify savings in both operational costs and carbon emissions.

Our carbon footprint has decreased even as our business has continuously grown over the past several years.

Comparison of Greenhouse Gas Emissions[#] for 2009-15 (CO₂-e, tonnes)

	2009	2010	2011	2012	2013	2014	2015
Scope 1: Direct Emission							
(Fuel Combustion)							
Unleaded Petrol	81	81	77	78	84	83	78
Gas Oil	32	31	38	28	26	32	29
Scope 2: Energy Indirect Emission							
Electricity Purchased	682	697	631	622	610	602	608
Scope 3: Other Indirect Emissions							
Paper Waste (sent to landfill)	99	59	60	71	84	57	27
Overseas Business Trips	81	79	99	93	86	77	90
Total Emissions	975	947	905	892	890	851	832

[#] Scope: Hong Kong operations of Asia Financial Holdings Ltd and its wholly-owned subsidiary, Asia Insurance Company, Limited.

Summary on Greenhouse Gas Reduction

1. Reduced carbon emissions despite business growth

Organic growth saw Asia Financial's total revenue grow 46.9% from 2009 to HK\$1,174 million in 2015. While the increase in business size and activities inevitably increased some categories of carbon emission, we successfully reduce overall greenhouse gas emissions from 975 to 832 tonnes of CO₂-e during the same period.

2. Staff engagement essential

Employee participation is vital to the success of our green office programmes. These include a "Switch-off" policy for all idle equipment, encouraging staff to switch off (or onto energy-saving mode) computers, monitors and other electrical appliances at the end of the working day or other times when not in use.

3. Energy-efficient lighting and appliances have significant effect

Since 2009, Asia Financial has replaced T8 fluorescent lamps with T5 fluorescent lamps, and 12V 50W spotlights with 3W LED spotlights in all its local offices. These newer technologies enabled us to reduce carbon emissions through electricity usage by 10.9% in 2009-15.

4. Other Environmental Practices

Other measures to reduce carbon emission include:

- Level of office lighting below 500 lux
- Widespread adoption of multi-function photocopiers (with printing, scanning and fax functions)
- Adoption of computers with energy labels
- Use of energy-saving mode and power management setting for computer monitors
- Optimized use of natural light in offices
- Policy to encourage staff to take the most efficient travelling method
- Widespread use of paper certified by Forest Stewardship Council ("FSC")
- Paper recycling
- Adoption of "Order less, Waste less" policy to reduce food waste at company functions

Asia Insurance – The First Carbon-neutral Insurance Company in Greater China

In 2009, our wholly-owned subsidiary, Asia Insurance became the first carbon-neutral insurance company in Greater China. Asia Insurance offsets all its emissions – thus becoming carbon-neutral – by sponsoring an afforestation and reforestation project on degraded lands in Sichuan, China.



Asia Financial – Green Office Award Label

Asia Financial was again awarded the Green Office Award Label by the World Green Organization in 2015.

Community Investment

Donation & Sponsorship

Asia Financial founded AFH Charitable Foundation Limited (“the Foundation”) at the end of 2009 to collect funds and target donations to help meet educational, cultural and other charitable social needs.

In 2015, Asia Financial, Asia Insurance and the Foundation combined devoted financial resources (mainly in the form of donations and sponsorships) to various non-profit-making organizations locally and overseas.

Donations & Sponsorships Made in 2015	Compared with 2014
HK\$7.97 million	+2.5%

Community Involvement – Partnership with Social Enterprises

We have been investing in SVHK Capital Limited (“SVHK”). This venture philanthropic organization aims to provide financial and non-financial support to social-purpose organizations or social enterprises in Hong Kong. The flagship projects of SVHK are Light Be (Social Realty) Limited (“Light Be”), Diamond Cab (Hong Kong) Limited (“Diamond Cab”), Dialogue in the Dark Hong Kong Limited and Fullness Hair Salons.



“Light Be” helps needy find a room of their own – affordably

“Light Rooms” is a project of Light Be. It is an innovative approach to fighting poverty in Hong Kong by offering the needy an alternative to the poor conditions in “sub-divided” flats. Specifically, “Light Rooms” encourages private property owners to rent units at an affordable rate or below market prices to underprivileged single-parent families with urgent housing needs.

“Light rooms” provides 3-bedroom flats capable of accommodating three single-parent families, who share the living room, kitchen and washroom. This arrangement can provide up to 7 square meters of floor space per individual in a safe and hygienic home with basic decoration, furniture and electrical appliances. “Light rooms” brings back self-esteem to the families, who are encouraged to live and share together and build up a supportive neighbourhood.

Light Be believes that poverty alleviation involves far more than simply offering to meet material needs. It is equally important to focus on comprehensive family support for the families coming together under the same roof, using resources from across society to help them steadily move out of poverty.

By the end of March 2016, around 120 families had moved to the 40 “light homes”. Their living standards have visibly improved and they have new hope for the future.



Light Be (Social Realty) Limited welcome interested property owners to join the project
Hotline : +852 2806 1911
Website : <http://www.lightbe.hk>

Corporate Social Responsibility Report

Diamond Cab – Barrier-free Taxi Service

Diamond Cab is a social venture providing point-to-point transportation services for wheelchair users. It provides not only unprecedented wheelchair-accessible and barrier-free taxi services, but top quality standards of professional transportation for people in need. This taxi service has received an overwhelming response from the general public. Since 2011, the total number of wheelchair-accessible rides reached 100,000.



*Diamond Cab (Hong Kong) Limited provides point-to-point transportation services for wheelchair users.
Hotline: +852 2760 8771
Website: <http://www.diamondcab.com.hk>*



Asia Financial Staff Volunteering in the Community

We organize various voluntary activities every year to involve staff and the company directly in community service beyond simply providing financial sponsorship to organizations. At the heart of these efforts is the voluntary work undertaken by individual members of staff in local communities. In partnership with Evangelical Lutheran Church Social Service – Hong Kong and the Tung Wah Group of Hospitals, we took part in various activities in 2015 to bring love and care to children and senior citizens.

Volunteer Service Statistics for 2015

Total number of volunteers	Total service hours
118	667

Every year Asia Financial, Asia Insurance & the Kinnet participate in the Hong Kong Community Chest's "Walk for Millions" to raise fund for the needy.



In November 2015 and March 2016, Asia Financial staff volunteers and the Evangelical Lutheran Church Social Service's Tuen Mun Integrated Youth Service Centre jointly organized the "Let Me Shine" service programme. Through visits to Tung Chung wetlands, Ngong Ping market and Ma On Shan mine, about 30 children from Po Tin Estate learned about ecology and nature conservation, and enjoyed self-development activities in a team environment.



Corporate Social Responsibility Report



Children learned to press a stone on the leaf surface to form a wonderful watermark picture!



Little miners experienced in Ma On Shan mine.



Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The board of directors (the “Board”) believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to promote investor confidence and safeguard the interests of shareholders, investors, customers and staff.

The Board has applied with the principles set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and has adopted various measures to ensure that a high standard of corporate governance is maintained.

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31st December, 2015, except for a deviation from code provision A.6.7, namely, Dr. WONG Yu Hong Philip, an independent non-executive director, was unable to attend the annual general meeting of the Company held on 20th May, 2015 as he was not in Hong Kong due to other commitment.

Directors’ Securities Transactions

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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all directors and all directors have confirmed that they have complied with the required standard as set out in the Code of Conduct and the Model Code throughout the year ended 31st December, 2015.

Board of Directors

Board Composition

The Board currently comprises 14 members, consisting of 4 executive directors (including the Chairman and the President), 5 non-executive directors (“NEDs”) and 5 independent non-executive directors (“INEDs”). NEDs and INEDs provide the Group with a wide range of expertise and experience as well as checks and balances to safeguard the interests of the shareholders. Members of the Board, who come from a variety of different backgrounds, have a diverse range of business and professional expertise. The biographical details of the directors and the relationship among them are set out in pages 37 to 41 of this annual report. The list of directors of the Company and their roles and functions is also posted on the websites of the Company and the Stock Exchange.

The Board has adopted a Board Diversity Policy which is published on the Company’s website. The policy sets out the Company’s approach to achieve diversity at Board level. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge, length of services and also other factors based on its business model and specific needs.

Corporate Governance Report

Board of Directors (cont'd)

Board Composition (cont'd)

An analysis of the Board's current composition as at 31st December, 2015 is as follows:

		Number of Directors	
Designation	ED	4	28%
	NED	5	36%
	INED	5	36%
Gender	Male	11	79%
	Female	3	21%
Age group	81 or over	2	14%
	71-80	2	14%
	61-70	5	36%
	51-60	5	36%
Nationality	Chinese	10	71%
	Non-Chinese	4	29%
Directorship with Asia Financial (years)	Over 20	4	28%
	10-19	5	36%
	1-9	5	36%
Other listed company directorships	4	2	14%
	2	3	22%
	1	1	7%
	0	8	57%

Induction for Directors

Every Board member receives a package of orientation materials on key areas of business operations and practices of the Company, as well as a copy of the Director's Handbook upon joining the Board. The Director's Handbook sets out, among other things, the general and specific duties of the directors and the terms of reference of various Board committees. The Director's Handbook is updated from time to time to reflect developments and latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Appointment and Re-election of Directors

The Company has a formal procedure for the appointment of new directors. Any proposed appointment will be first reviewed by the Nomination Committee. Upon recommendation by the Nomination Committee, the proposed appointment will then be reviewed by the Board and, if thought fit, approved by the Board or by shareholders in any general meeting.

All directors are subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at each annual general meeting ("AGM") in accordance with the Bye-laws of the Company. Any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Board of Directors (cont'd)

Role and Function of the Board

The Board is empowered to manage and conduct the businesses and affairs of the Group and is responsible for determining the Group's overall corporate objectives, business strategies and operational policies. The Board monitors the Group's financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures the Group's operations are conducted prudently and complied with specific corporate governance requirements and appropriate framework of laws and regulatory guidelines.

Chairman and President

The Company has appointed a President instead of a Chief Executive Officer. The roles of the Chairman and the President are segregated. Dr. CHAN Yau Hing Robin, the executive Chairman is responsible for the leadership and effective running of the Board. Mr. CHAN Bernard Charnwut, also an executive director, is the President of the Company and he is responsible for the overall strategic planning and the day-to-day management of the Group. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Non-executive Directors and Independent Non-executive Directors

All NEDs and INEDs do not actively involve in the day-to-day management of the Company. They, however, do play an important role in bringing their independent judgement, considerable knowledge and diverse expertise to the Board's deliberations.

Each NED (including INED) of the Company has received a letter of appointment from the Company for a specific term of 2 years and is subject to retirement by rotation and eligible for re-election at the AGM in accordance with the Company's Bye-laws.

More than one-third of the members of the Board consist of INEDs and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation of his/her independence for the year ended 31st December, 2015. The independence of the INEDs has been assessed in accordance with the criteria as set out in Rule 3.13 of the Listing Rules. Following such assessment, the Board has affirmed that all the INEDs continue to be independent.

Board Meetings

The Board meets regularly, and at least four times a year, to review business development and performance of the Group and additional meetings will be held as and when required. Directors have full access to information on the Group and may, in appropriate circumstances, take independent professional advice at the Company's expense. Schedules for the regular Board meetings are made available to all directors to facilitate directors' attendance at the meetings. Directors receive written notice of each regular Board meeting at least 14 days in advance and they are given an opportunity to include matters in meeting agenda. Directors receive the meeting agenda and accompanying Board papers at least 3 days before the date of Board meeting. Minutes of every Board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following Board meeting. Minutes of Board meetings are kept by the Company Secretary and are open for inspection by directors.

Directors make their best efforts to contribute to the development of strategy, policies and decision-making by attending the Board meetings in person or via telephone conferencing.

Corporate Governance Report

Board of Directors (cont'd)

Board Meetings (cont'd)

During the year 2015, the Board held four scheduled meetings to discuss the business development and strategies of the Group; reviewed and received financial and business updates with information on the Company's latest financial and operational performance; approved the interim and annual results of the Group; approved interim dividend payment; recommended final dividend for shareholders' approval; reviewed and received reports from the respective Board committees; approved the re-appointment of the retired Board committees' members and oversaw the Group's compliance with relevant legal and regulatory requirements.

Other than regular Board meetings, the Chairman also held an annual meeting with NEDs and INEDs without the presence of the other executive directors. The meeting aimed at having an open discussion among the NEDs and INEDs on issues relating to the Group. The Board also annually reviewed the time commitment required from the NEDs and INEDs in their other appointments or offices held in public companies or organisations.

Attendance Records of Directors

The attendance records of four scheduled Board meetings and an AGM of the Company held in 2015 are set out below:

Name of director	Board meetings	2015 AGM
<i>Executive Directors:</i>		
CHAN Yau Hing Robin (<i>Chairman</i>)	4/4	1/1
CHAN Bernard Charnwut (<i>President</i>)	4/4	1/1
TAN Stephen	4/4	1/1
WONG Kok Ho	4/4	1/1
<i>NEDs:</i>		
SOPHONPANICH Choedchu	4/4	1/1
NG Song Hin	4/4	1/1
CHAN Yeow Toh	4/4	1/1
YAMAGUCHI Yoshihiro	4/4	1/1
TANAKA Junichi	4/4	1/1
<i>INEDs:</i>		
CHOW Suk Han Anna	4/4	1/1
MA Andrew Chiu Cheung	4/4	1/1
SIAO Chi Lam Kenneth	4/4	1/1
WONG Yu Hong Philip	3/4	0/1
LAI KO Wing Yee Rebecca	4/4	1/1

Liability Insurance for Directors

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and the senior executives. In year 2015, no claim under the insurance policy was made.

Board of Directors (cont'd)

Directors' Training

All directors are required to keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. During the year, all directors were provided with the monthly management accounts of the Group as well as regular updates on applicable legal and regulatory requirements. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

In year 2015, the Company organised an in-house seminar conducted by a professional body for directors at the Company's expense. The seminar covered certain update information on the Hong Kong Listing Rules' corporate governance requirements on internal control and risk management. Written materials of the seminar were provided to the participated directors for reading and reference.

According to the records provided by all directors, which had been reviewed by the Compliance Committee in March 2016, a summary of their training received for the year ended 31st December, 2015 is as follows:

- Dr. CHAN Yau Hing Robin, Mr. CHAN Bernard Charnwut, Mr. TAN Stephen, Mr. WONG Kok Ho, Mr. SOPHONPANICH Choedchu, Mr. NG Song Hin, Mr. YAMAGUCHI Yoshihiro, Ms. CHAN Yeow Toh, Mr. TANAKA Junichi, Ms. CHOW Suk Han Anna, Mr. MA Andrew Chiu Cheung, Mr. SIAO Chi Lam Kenneth and Mrs. LAI KO Wing Yee Rebecca participated in the in-house seminar.
- Dr. CHAN Yau Hing Robin, Mr. CHAN Bernard Charnwut, Mr. MA Andrew Chiu Cheung and Mrs. LAI KO Wing Yee Rebecca also attended some other seminars organised/prepared by professional bodies or other listed companies.
- Dr. WONG Yu Hong Philip was not able to attend the aforesaid in-house seminar but he kept himself update by reading materials related to corporate governance, business management and regulatory requirements updates.

Delegation by the Board

Board Committees

The Board has set up several Board committees including the Executive Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Audit Committee to assist it in carrying out its responsibilities.

Each of these Board committees has its specific written terms of reference which set out in detail their respective authorities and responsibilities. All these Board committees, except the Executive Committee, comprise a majority of INEDs.

Executive Committee

The Board has delegated the day-to-day management of the Company's business to the Executive Committee which consists of all 4 executive directors of the Company. The Executive Committee usually meets once a month with the Group's senior executives and is responsible for formulating the policies of the Group on major strategic, financial, regulatory, risk management, commercial and operational issues for the Board's consideration; implementing policies as determined by the Board and monitoring the operational and financial performance of the Group.

Delegation by the Board (cont'd)

Executive Committee (cont'd)

In year 2015, the Executive Committee held eleven meetings and the attendance record of each executive director is set out below:

Name of executive director	Number of meetings attended/held	Attendance rate
CHAN Yau Hing Robin (<i>Chairman</i>)	11/11	100%
CHAN Bernard Charnwut (<i>President</i>)	11/11	100%
TAN Stephen	10/11	91%
WONG Kok Ho	11/11	100%

Remuneration Committee

The Remuneration Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The Remuneration Committee comprises 4 members, three of whom are INEDs. The Remuneration Committee meets at least once each year with the Company's Head of Human Resources and reports to the Board on their decisions or recommendations following each meeting.

The Remuneration Committee is responsible for considering and making recommendations to the Board on the Company's remuneration policy and for the formulation and review of the remuneration packages of all the directors, Board committees' members and senior executives of the Group. The Remuneration Committee may seek advice from external professional advisors for market data of executive remuneration and other remuneration related issues if required.

In year 2015, the Remuneration Committee held one meeting. The attendance record of each member is set out below:

Name of member	Number of meeting attended/held	Attendance rate
LAI KO Wing Yee Rebecca (<i>Chairman</i>)	1/1	100%
CHOW Suk Han Anna	1/1	100%
MA Andrew Chiu Cheung	1/1	100%
CHAN Bernard Charnwut	1/1	100%

During the year 2015, the Remuneration Committee had performed the following works:

- reviewed and recommended for approval by the Board the annual salary review, the emolument of the executive directors and allocation of discretionary bonus;
- reviewed and recommended the directors' fees and Board committees' members' fees for the Board's endorsement subject to the shareholders' approval at AGM of the Company;
- reviewed the Company's Remuneration Policy;
- reviewed and recommended for approval by the Board the re-appointment of retired member of the Remuneration Committee; and
- submitted a summary report on the resolved issues and recommendations to the Board.

Delegation by the Board (cont'd)

Nomination Committee

The Nomination Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The Nomination Committee comprises 4 members, three of whom are INEDs. The Nomination Committee meets at least once each year and reports to the Board on their decisions or recommendations following each meeting.

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointments and re-appointments of directors in accordance with the Company's Nomination Policy. The Nomination Committee considers and reviews, among other things, the structure, size and composition of the Board, the balance of skills, knowledge and experience of the candidates, independence of INEDs, re-election of retiring directors, term of appointment of NEDs and the membership of respective Board committees. The Nomination Committee is also responsible for reviewing the Board Diversity Policy to ensure its effectiveness. The Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

In year 2015, the Nomination Committee held one meeting. The attendance record of each member is set out below:

Name of member	Number of meetings	
	attended/held	Attendance rate
CHOW Suk Han Anna (<i>Chairman</i>)	1/1	100%
MA Andrew Chiu Cheung	1/1	100%
LAI KO Wing Yee Rebecca	1/1	100%
CHAN Bernard Charnwut	1/1	100%

During the year 2015, the Nomination Committee had performed the following works:

- reviewed and confirmed the independence of all the INEDs;
- nominated directors retired by rotation to stand for re-election by shareholders at the Company's AGM;
- reviewed the structure, composition and diversity of the Board;
- reviewed and recommended for the Board's approval the re-appointments of retired members of certain Board committees; and
- submitted summary report on the resolved issues and recommendations to the Board.

Delegation by the Board (cont'd)

Compliance Committee

The Compliance Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The Compliance Committee comprises 6 members, four of whom are INEDs. The Compliance Committee meets at least twice each year and reports to the Board on their decisions or recommendations following each meeting.

The Compliance Committee is responsible for reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The Board has delegated the responsibility of overseeing the corporate governance functions to the Compliance Committee to ensure that the Company implements sound corporate governance practices.

In year 2015, the Compliance Committee held three meetings. The attendance record of each member is set out below:

Name of member	Number of meetings	
	attended/held	Attendance rate
CHOW Suk Han Anna (<i>Chairman</i>)	3/3	100%
MA Andrew Chiu Cheung	3/3	100%
SIAO Chi Lam Kenneth	3/3	100%
LAI KO Wing Yee Rebecca	3/3	100%
TAN Stephen	3/3	100%
CHAN Bernard Charnwut	3/3	100%

During the year 2015, the Compliance Committee had performed the following works:

- reviewed and monitored the reports and works done by Internal Audit and Compliance Department on the Group's compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- reviewed and endorsed the amendments to the (i) Code for Securities Transaction by Directors & Notification Form and (ii) Code of Conduct for Staff;
- reviewed the training records of all the directors and the Company Secretary;
- reviewed the complaint cases by the complaint officer of Asia Insurance;
- reviewed and recommended for the Board's approval the re-appointment of retired member of the Compliance Committee;
- submitted compliance reports to the Audit Committee; and
- submitted summary reports to the Board on overall compliance performance and corporate governance practices of the Group.

Delegation by the Board (cont'd)

Audit Committee

The Audit Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. All four members of the Audit Committee are INEDs. The Audit Committee meets at least three times each year and has a separate meeting with the external auditors in the absence of management to discuss any audit issues.

The Audit Committee is responsible for reviewing, among other things, the Group's financial reporting, the nature and scope of audit, the effectiveness of the systems of internal control and risk management, and compliance relating to financial reporting. The Audit Committee is also responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the Group's external auditors. The Audit Committee reports to the Board following each Audit Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware of, identifying any matters in respect of which it considers that action or improvement is needed, and make relevant recommendations.

The Audit Committee has the overall responsibility for overseeing, monitoring and reviewing the operation of the Company's Whistleblowing Policy. This policy is devised to provide a channel through which all staff members may report incidents of improprieties in a secured and confidential manner such that reporting employees are assured of protection against unfair dismissal, victimization or unwarranted disciplinary actions if they acted in good faith and exercised due care.

The Audit Committee held three meetings in the year 2015. The attendance record of each member is set out below:

Name of member	Number of meetings	
	attended/held	Attendance rate
MA Andrew Chiu Cheung (<i>Chairman</i>)	3/3	100%
SIAO Chi Lam Kenneth	3/3	100%
CHOW Suk Han Anna	3/3	100%
LAI KO Wing Yee Rebecca	3/3	100%

During the year 2015, the Audit Committee had performed the following works:

- reviewed the Group's interim and annual financial statements with respect to their truth and fairness and discussed with the external auditors;
- reviewed the changes in accounting standards and their impact on the Group's financial statements;
- reviewed the report from the external auditors;
- reviewed and recommended for approval by the Board the audit fees payable to the external auditors;
- reviewed and approved the internal audit co-sourcing arrangement with external consultant and recommended for approval by the Board the professional fee payable to the external consultant;
- reviewed and approved the Group's internal audit plan;
- reviewed the effectiveness of the Group's internal control systems;

Corporate Governance Report

Delegation by the Board (cont'd)

Audit Committee (cont'd)

- reviewed the internal audit findings and recommendations of both the internal auditor and the external consultant and the responses from the management;
- submitted summary reports on the resolved internal audit issues and internal control recommendations to the Board;
- reviewed the compliance reports from the Compliance Committee to monitor the Group's compliance with regulatory and statutory requirements;
- reviewed and recommended for the Board's approval the re-appointment of retired member of the Audit Committee; and
- reviewed the independence and objectivity of the external auditors and recommended for the Board's endorsement the re-appointment of the external auditors subject to the shareholders' approval at the Company's AGM.

Auditors' Remuneration

During the year under review, the fees paid/payable to the Company's external auditors, Messrs. Ernst & Young, Hong Kong, are as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	3,108
Non-audit services*	855
Total:	3,963

* The non-audit services fees paid/payable to the external auditors were for advice on taxation matters and for preparation, review, submission of tax returns and other non-audit engagement.

Accountability and Audit

Financial Reporting

Directors are responsible for overseeing the preparation of consolidated financial statements of each financial period which give a true and fair view of the financial position of the Company and its subsidiaries as at the end of the reporting period and of their financial performance and cash flows for that period then ended. In preparing the consolidated financial statements for the year ended 31st December, 2015, the directors selected suitable accounting policies and applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and prepared the accounts on the going concern basis.

Accountability and Audit (cont'd)

Financial Reporting (cont'd)

The consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2015 have been audited by the external auditors, Messrs. Ernst & Young, and reviewed by the Audit Committee. The directors acknowledged their responsibility for preparing the consolidated financial statements which were prepared in accordance with statutory requirements and applicable accounting standards. As at 31st December, 2015, the directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors with respect to financial reporting and auditing are set out in the Independent Auditors' Report attached to this annual report.

Internal Control

The Board is responsible for maintaining and operating an effective system of internal control covering all material controls, including financial, operational, compliance, and risk management controls. The internal control system of the Group comprises a well-established organisational structure and the internal policies, procedures and guidelines. Such internal control system is designed to provide reasonable but not absolute assurance against material misstatement or losses, and to manage and minimize risks of failure in operational systems.

The Board delegates the responsibility of reviewing the effectiveness of the Group's internal control system to the Audit Committee which monitors the Group's internal control system and the major risk areas through the Internal Audit and Compliance Department ("IACD"). IACD performs regular independent reviews of all material control of the Group, checks for compliance with policies and standards and the effectiveness of internal control structures across the Group.

To complement the in-house internal audit team, the Company also engaged an external consultant during the year to assist in performing periodic internal audits and reviews on certain departments and business units across the Group. IACD and the external consultant presented the internal audit report to the members of the Audit Committee and also the compliance report to the members of the Compliance Committee. The reports were then followed up to ensure corrective actions have been taken in respect of any finding previously identified and they have been properly resolved.

Using a risk-and-control based audit approach, IACD and the external consultant plan their respective internal audit schedules and reviews annually with audit resources being focused on higher risk areas. Their internal audit plans for each financial year are discussed with and submitted to the Audit Committee for review and approved before the end of the preceding year.

The Audit Committee reviewed the effectiveness of the Group's internal control system in place during the year and the resources allocated to internal control operations. The Audit Committee reported the review result to the Board following each Audit Committee meeting. The Board is satisfied that the Group's internal control system is effective and also the resources, qualifications and experience of staff are adequate.

Professional Training of Company Secretary

The Company Secretary, Mr. LAU Chi Tak, confirmed that he undertook 20.5 hours of relevant professional training during the year 2015.

Remuneration of Directors and Senior Management

The Remuneration Policy of the Company is to maintain fair and competitive packages based on business needs and industry practice. The overall remuneration package of each individual director and senior management is determined based on the market level of similar positions in comparable companies and by reference to factors including director's position, qualifications, experience, level of responsibilities as well as the Group's performance and profitability.

During the year, the level of fees and emoluments paid to directors and senior management depends on their respective contractual terms under employment contracts or letters of appointment, if any, and as recommended by the Remuneration Committee and approved by the Board or shareholders at the Company's AGM.

Information relating to the remuneration of directors on a named basis for the year ended 31st December, 2015 is set out in note 7 to the financial statements.

Constitutional Documents

There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31st December, 2015. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

Communications with Shareholders

The Board recognises the importance of good communications with all shareholders. The Company has established the Shareholders Communication Policy and posted it on its website. The policy sets out the processes to provide the shareholders with ready, equal, timely and understandable information on the Company in order to enable them to exercise their rights in an informed manner.

The Company is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports, public announcements and other public circulars, all of which are available on the websites of the Company and the Stock Exchange. The Company usually conducts post-results press conferences, with executive directors and senior management present to answer questions. Meetings with institutional investors and financial analysts are also conducted upon such requests being received.

The AGM provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the AGM for which at least 20 clear business days prior notice is given. The Chairman as well as chairmen of the Audit Committee, the Compliance Committee, the Nomination Committee and the Remuneration Committee (or in their absence, other members of such committees) together with the external auditors are available to answer shareholders' questions at the meeting. The Chairman also advised all other directors to attend the AGM in order to develop a balanced understanding of the views of shareholders. All resolutions proposed at the AGM must be decided on a poll, which the Company's branch share registrar in Hong Kong will conduct as scrutineer for the vote-taking and the results of the poll will be published on the websites of the Company and the Stock Exchange.

The Company's last AGM was held at its principal place of business, 16th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong on Wednesday, 20th May, 2015. All the resolutions proposed at that meeting were approved by the shareholders by poll voting. Details of the poll results are available on both the Company's and Stock Exchange's websites.

The next AGM will be held on Thursday, 19th May, 2016, the notice of which will be set out in the circular to shareholders to be sent together with the 2015 Annual Report on or about 19th April, 2016.

Shareholders' Rights

Convening a Special General Meeting

Shareholders holding in aggregate of not less than one-tenth (1/10) of the paid up capital can send a written request to the Board or the Secretary of the Company to request a Special General Meeting ("SGM").

The written request should be deposited at the Company's principal place of business for the attention of the Company Secretary.

The written request must state the resolution(s), accompanied by a statement of the matters referred in the proposed resolution(s) and signed by the shareholders concerned.

The request will be verified with the Company's share registrar and upon its confirmation that the request is proper and in order, the Company will convene a SGM within twenty-one (21) days of the deposit of the request. The actual SGM shall be held within two (2) months after the deposit of the written request.

Notice of SGM will be sent out at least fourteen (14) clear days before the meeting unless shorter notice is permitted by the majority members having the right to attend and vote at the meeting.

Making Proposals at Shareholders' Meeting

Shareholder can send a written request to the Board or the Secretary of the Company to make proposal(s) at a shareholders' meeting. The written request must state the resolution(s), accompanied by a statement of the matters referred in the proposed resolution(s) and signed by the shareholder concerned.

The written request should be deposited with the Company at its principal place of business at least fourteen (14) clear days before the date of the shareholders' meeting.

The request will be verified with the Company's share registrar and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution(s) in the agenda for the shareholders' meeting.

A revised notice of the shareholders' meeting that included the proposed resolution(s) will be issued to the shareholders.

Nomination of Person for Director Election

Shareholder wishes to nominate a person to stand for election as a director at the Company's AGM should send a written notice to the Company Secretary at the Company's principal place of business within the period of at least seven (7) days as determined by the Company. Such lodgement period will commence no earlier than the day after dispatch of the notice of AGM and end no later than seven (7) days prior to the date of AGM.

The nomination notice must be signed by the nominating shareholder and stated: (i) the name, address and shareholding of the nominating shareholder; (ii) the proposed candidate's biographical details as required by the Rule 13.51(2) of the Listing Rules; and (iii) a signed letter from the candidate confirming willingness to act as director if being elected.

Shareholders' Rights (cont'd)

Nomination of Person for Director Election (cont'd)

The nomination notice will be verified with the Company's share registrar and upon its confirmation that the notice is proper and in order, the Company Secretary will arrange a meeting of the Nomination Committee of the Company.

The nomination notice will be reviewed by the members of the Nomination Committee who will consider the factors such as character, integrity, diversity of experience, area of expertise, other commitments, independence and other factors that the Nomination Committee may consider appropriate.

After assessing the nomination, the Nomination Committee will send a report to the Board advising whether the candidate possessed the qualifications for a position on the Board. The Nomination Committee will recommend the right candidate to the Board for election as a director at the AGM.

The Company will publish an announcement or issue a supplementary circular and dispatch it to shareholders containing the details of the candidate(s) proposed. The assessment conclusion of the Nomination Committee will also be included in the supplementary circular for the consideration of shareholders.

The shareholder proposing the candidate will be required to attend the AGM and read out the proposed resolution at the AGM.

Sending Enquiries

Shareholders enquire about their shareholdings should contact the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholders who have any queries to the Board should send the questions to the Company Secretary whose details are as follows:

The Company Secretary
Asia Financial Holdings Limited
16th Floor, Worldwide House
19 Des Voeux Road Central
Hong Kong
Email : contactus@afh.hk
Tel : (852) 3606 9200
Fax : (852) 2545 3881

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2015 and up to the date of this annual report as required by the Listing Rules.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31st December, 2015.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in detail in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business Review

A discussion and analysis of the activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business, a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group's business, are provided in the Chairman's Statement, Management Discussion and Analysis, and Corporate Social Responsibility Report set out on pages 3 to 16 of this annual report.

Results and Dividends

The Group's profit for the year ended 31st December, 2015 and the Group's financial position at that date are set out in the financial statements on pages 45 to 130.

An interim dividend of HK3.6 cents per ordinary share, totalling approximately HK\$36,691,000, was paid on 25th September, 2015.

The directors recommend the payment of a final dividend of HK1.0 cent per ordinary share, totalling HK\$10,192,000 in respect of the year, which will be payable on or about 7th June, 2016 in cash to shareholders on the register of members of the Company on 30th May, 2016. This recommendation has been incorporated into the financial statements as an allocation of the retained profits within the equity section in the Group's statement of financial position. Further details of this accounting treatment are set out in note 10 to the financial statements.

Share Capital

There were no movements in the Company's share capital during the year.

Equity-linked Agreements

There is no equity-linked agreement entered into by the Company during the year or subsisting at the end of the year.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Report of the Directors

Distributable Reserves

At 31st December, 2015, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$2,971,349,000, of which HK\$10,192,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account and capital reserve, in the amount of HK\$620,591,000 in aggregate, may be distributed in the form of fully paid bonus shares.

Five Years Financial Summary

The results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements as appropriate, are summarised below:

Results

	Year ended 31st December,				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	1,173,510	1,279,625	1,448,080	1,321,365	1,079,847
Profit/(loss) for the year	187,638	373,653	275,207	406,035	(134,100)
Profit/(loss) for the year attributable to:					
Equity holders of the Company	186,063	365,507	270,731	403,796	(137,516)
Non-controlling interests	1,575	8,146	4,476	2,239	3,416
	187,638	373,653	275,207	406,035	(134,100)

Assets, liabilities and non-controlling interests

	31st December,				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	10,164,022	9,961,152	9,245,573	8,621,164	7,411,645
Total liabilities	(3,104,093)	(3,014,259)	(2,970,153)	(2,397,980)	(1,999,603)
Non-controlling interests	(40,312)	(38,391)	(30,520)	(21,776)	(14,449)
	7,019,617	6,908,502	6,244,900	6,201,408	5,397,593

Major Customers

During the year, the Group derived less than 30% of its total income from its five largest customers.

As far as the directors are aware, none of the directors of the Company, or any of their associates and shareholders, which, to the knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers.

Major Suppliers

The Group's major subsidiary is an insurance company, which is exempted from disclosing the particulars of suppliers. Accordingly, no such information has been disclosed.

Directors

The directors of the Company during the year and up to the date of the report were:

CHAN Yau Hing Robin*, G.B.S., LL.D., J.P.

CHAN Bernard Charnwut*, G.B.S., J.P.

TAN Stephen*

WONG Kok Ho*

SOPHONPANICH Choedchu

NG Song Hin

YAMAGUCHI Yoshihiro

TANAKA Junichi

CHAN Yeow Toh

CHOW Suk Han Anna**

MA Andrew Chiu Cheung**

SIAO Chi Lam Kenneth**

WONG Yu Hong Philip**, G.B.S.

LAI KO Wing Yee Rebecca**, J.P.

* *Executive directors*

** *Independent non-executive directors*

In accordance with Bye-law 87(2) of the Company's Bye-laws, Dr. CHAN Yau Hing Robin, Mr. WONG Kok Ho, Mr. SOPHONPANICH Choedchu, Mr. YAMAGUCHI Yoshihiro, Mr. TANAKA Junichi, Mr. SIAO Chi Lam Kenneth and Dr. WONG Yu Hong Philip will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive director an annual independence confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company still considers that all of them are independent.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31st December, 2015, the interests of the directors and chief executive 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, Cap. 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	the Company's issued share capital ⁽¹⁾
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 31st December, 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 31st December, 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.

Directors' Rights to Acquire Shares or Debentures

At no time during the year there were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31st December, 2015, the following persons (other than the directors or chief executive of the Company) had interests or short positions 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 ⁽¹⁾
Cosmos Investments Inc.	(2), (3)	568,107,712	55.74
Claremont Capital Holdings Ltd	(2)	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:

- (1) Based on 1,019,200,000 shares in issue as at 31st December, 2015.
- (2) These shares have been included in the interest disclosure of Dr. CHAN Yau Hing Robin as set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- (3) 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 31st December, 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.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 32(a) to the financial statements, no director nor a connected entity of a director had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year.

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

Report of the Directors

Directors' Interests in Transactions, Arrangements or Contracts (cont'd)

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, or have any such rights been exercised by, any person during the year ended 31st December, 2015.

Permitted Indemnity Provision

The Company's Bye-laws provides that all directors or other officers of the Company shall be entitled to be indemnified out of the Company's assets against all losses or liabilities which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Listing Rules, as set out below:

Name of director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
CHAN Yau Hing Robin	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
CHAN Bernard Charnwut	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
	Sompo Japan Nipponkoa Insurance (China) Company Limited	General insurance	Director
WONG Kok Ho	Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited	General insurance	Director
TANAKA Junichi	Sompo Japan Sigorta A.S.	General insurance	Director

Although the companies listed above operate in similar fields to certain operations of the Group, the board believes that the directors concerned are able to manage any potential conflicts of interest arising from their respective directorships and/or interests in such companies.

As the board of directors of the Company is independent from the boards of directors of these companies, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of these companies.

Brief Biographical Details of Directors and Senior Management Staff

Executive Directors:

Dr. CHAN Yau Hing Robin, G.B.S., LL.D., J.P., aged 83, is the Chairman and an executive director of the Company and Asia Insurance Company, Limited ("Asia Insurance"), a wholly-owned subsidiary of the Company. Dr. Chan has been working for the Group for 60 years. He is also a director of several other subsidiaries of the Company and a director of Claremont Capital Holdings Ltd, the controlling shareholder of the Company. Dr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. He was also conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in 2013. Dr. Chan is the Life Honorary Chairman of The Chinese General Chamber of Commerce and the Vice Chairman of the All-China Federation of Returned Overseas Chinese. He is also the Founding Chairman and President of the Hong Kong Federation of Overseas Chinese Associations Limited, the Honorary Chairman of both the China Federation of Overseas Chinese Entrepreneurs and Federation of HK Chiu Chow Community Organizations Limited, and the Executive Vice Chairman of the China Overseas Chinese Entrepreneurs Association. Dr. Chan had been a Deputy to The National People's Congress of the People's Republic of China from March 1988 to February 2008. He has extensive experience in the banking industry and acts as an adviser to numerous other companies. Dr. Chan is also an independent non-executive director of K. Wah International Holdings Limited and Keck Seng Investments (Hong Kong) Limited, both of which are listed on the Stock Exchange. On 14th February, 2014, Dr. Chan resigned as an independent non-executive director of Chong Hing Bank Limited which is a listed company in Hong Kong. Dr. Chan is the father of Mr. TAN Stephen and Mr. CHAN Bernard Charnwut and is the brother of Mr. SOPHONPANICH Choedchu.

Mr. CHAN Bernard Charnwut, G.B.S., J.P., aged 51, is an executive director and the President of the Company and Asia Insurance. Mr. Chan is a member of the remuneration committee, the nomination committee and the compliance committee of the Company and also the Chairman of AFH Charitable Foundation Limited. Mr. Chan has been working for the Group for 26 years. He is the son of Dr. CHAN Yau Hing Robin, the brother of Mr. TAN Stephen and the nephew of Mr. SOPHONPANICH Choedchu. He graduated from Pomona College in California, U.S.A. In addition to directorships in other subsidiaries of the Company, Mr. Chan is a non-executive director of City e-Solutions Limited, an independent non-executive director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited and China Resources Beer (Holdings) Company Limited (formerly known as China Resources Enterprise, Limited), all of which are listed on the Stock Exchange. On 5th June, 2014, Mr. Chan resigned as a non-executive director of New Heritage Holdings Ltd. (now known as LVGEM (China) Real Estate Investment Company Limited) which is listed on the Stock Exchange. Mr. Chan is currently a director of PICC Life Insurance Company Limited, a director of Claremont Capital Holdings Ltd which is the controlling shareholder of the Company and an adviser to Bangkok Bank (China) Company Limited. Mr. Chan has been elected a Deputy to The National People's Congress of the People's Republic of China since January 2008. He has also been appointed as a non-official member of the Executive Council of the HKSAR since July 2012. Mr. Chan was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2006. He is the Chairman of the Advisory Committee on Revitalisation of Historic Buildings, the Standing Committee on Judicial Salaries and Conditions of Service, the Committee on Reduction of Salt and Sugar in Food, the Steering Committee on Restored Landfill Revitalisation Funding Scheme and Hong Kong-Thailand Business Council. He is also a trustee of Pomona College, California U.S.A. and serves as the Chairperson of The Hong Kong Council of Social Service.

Brief Biographical Details of Directors and Senior Management Staff (cont'd)

Executive Directors: (cont'd)

Mr. TAN Stephen, aged 62, has been an executive director of the Company since 30th May, 2006 and has been working for the Group for 29 years. He is a member of the compliance committee of the Company. In addition to directorships in other subsidiaries of the Company, Mr. Tan also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. Mr. Tan is an independent non-executive director of Pioneer Global Group Limited and China Motor Bus Company, Limited, both of which are listed on the Stock Exchange. Mr. Tan serves as a Standing Committee member of The Chinese General Chamber of Commerce, the Vice President of Hong Kong Chiu Chow Chamber of Commerce, the Chairman of the Cantonese Opera Development Fund Investment Committee of the HKSAR, the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited and the Manager of Chiu Yang Primary School of Hong Kong. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a founding member of both Hong Kong-Thailand Business Council and Hong Kong-Korea Business Council, a trustee of Outward Bound Trust of Hong Kong, a charter member of The Rotary Club of The Peak and a founding member of Opera Hong Kong Limited. Mr. Tan is also a member of the Mega Events Fund Assessment Committee, a member of the Board of Governors of Hong Kong Sinfonietta Limited and the honorary adviser of the Hong Kong Baseball Association. Mr. Tan was educated in the U.S.A. and holds a bachelor's degree in Business Administration from Rutgers University, and a master's degree in Business Administration from St. John's University. He is the son of Dr. CHAN Yau Hing Robin, the brother of Mr. CHAN Bernard Charnwut and the nephew of Mr. SOPHONPANICH Choedchu.

Mr. WONG Kok Ho, aged 68, has been an executive director of the Company since 2nd May, 2007 and has served the Group for over 40 years. Mr. Wong is an executive director and the chief executive officer of Asia Insurance and a director of several other subsidiaries of the Company. Mr. Wong has extensive experience in the insurance industry. He sits on the boards of AFH Charitable Foundation Limited, AR Consultant Service (HK) Limited, BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited. In addition, Mr. Wong is an independent non-executive director of Sampo Japan Nipponkoa Insurance (Hong Kong) Company Limited. Mr. Wong was educated in Hong Kong and Deakin University, Melbourne, Australia and is a fellow member of The Chartered Insurance Institute, London. Mr. Wong is currently a councillor of the Employees Compensation Insurer Insolvency Bureau ("ECIIB") and a member of the General Committee of the Insurance Claims Complaints Bureau. He is also a councillor of both the General Insurance Council of the Hong Kong Federation of Insurers ("HKFI") and the Council of Motor Insurers' Bureau of Hong Kong ("MIB"). Mr. Wong had served as the Chairman of the ECIIB, the General Insurance Council and the MIB Council. He had been a member of the Governing Committee of the HKFI, the President of the Insurance Institute of Hong Kong and a member of the insurance subsector of the Election Committee 2011.

Non-Executive Directors:

Mr. SOPHONPANICH Choedchu, aged 69, has been a non-executive director of the Company since October 1990 and has been with the Group for 30 years. He is also an executive director of Asia Insurance and a director of certain other subsidiaries of the Company. Mr. Sophonpanich is a director of Claremont Capital Holdings Ltd which is the controlling shareholder of the Company. He is also the Chairman of the Executive Board of Directors of Bangkok Life Assurance Public Company Limited and a director of Krungdhep Sophon Public Company Limited, both of which are listed on The Stock Exchange of Thailand. Mr. Sophonpanich graduated with a BSc (Econ) degree from the London School of Economics. He is the brother of Dr. Chan Yau Hing Robin and the uncle of both Mr. Tan Stephen and Mr. Chan Bernard Charnwut.

Brief Biographical Details of Directors and Senior Management Staff (cont'd)

Non-Executive Directors: (cont'd)

Mr. NG Song Hin, aged 82, has been a non-executive director of the Company since October 1990 and has been with the Group for over 30 years. Mr. Ng was educated in Australia. He is the Chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatan Bina Sdn. Bhd. in Malaysia. He is also a director of Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the President of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

Mr. YAMAGUCHI Yoshihiro, aged 58, has been a non-executive director of the Company since 22nd May, 2013. Mr. Yamaguchi is the Hong Kong Representative of Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). He graduated with a degree in Economics from Kwansei Gakuin University, Japan in 1980 and joined Dowa General Insurance Limited ("Dowa") in the same year. Dowa subsequently merged with Aioi Insurance Company, Limited in 2010 and became Aioi Insurance which currently holds 5.16% of the Company's issued share capital.

Mr. TANAKA Junichi, aged 54, has been a non-executive director of the Company since 7th May, 2014. Mr. Tanaka is currently the Executive Officer and General Manager of the Europe Regional Headquarters and the China & East Asia Regional Headquarters of both Sompo Japan Nipponkoa Holdings, Inc. and Sompo Japan Nipponkoa Insurance Inc. ("Sompo Japan Nipponkoa"). He is also a director of Sompo Japan Sigorta A.S., which is 90% owned subsidiary of Sompo Japan Nipponkoa. Mr. Tanaka graduated from Japan's Keio University, Faculty of Law in 1984 and joined The Yasuda Fire and Marine Insurance Company Limited ("Yasuda") in the same year. Yasuda subsequently merged with other insurance companies in 2002 and 2014 respectively and became Sompo Japan Nipponkoa which currently holds 5.16% of the Company's issued share capital.

Ms. CHAN Yeow Toh, aged 60, has been a non-executive director of the Company and Asia Insurance since 28th June, 2007. From 1st November, 2004 to 28th June, 2007, Ms. Chan was an alternate director to Tan Sri Frank Wen King TSAO who was during the said period a non-executive director of the Company and Asia Insurance. Ms. Chan is currently a director of IMC Development & Management Limited and a director of a number of other companies in Hong Kong and overseas. She is a fellow member of The Institute of Chartered Secretaries & Administrators, the United Kingdom, and The Malaysian Association of Company Secretaries. Ms. Chan was the Company Secretary of IMC Holdings Limited from 1990 until 2002 when it was delisted from the Stock Exchange. She was also the Chairman of Suntec City Management Pte. Ltd. from July 2005 to December 2009.

Brief Biographical Details of Directors and Senior Management Staff (cont'd)

Independent Non-Executive Directors:

Ms. CHOW Suk Han Anna, aged 68, has been an independent non-executive director of the Company since 27th September, 2004. Ms. Chow is the chairman of both the nomination committee and the compliance committee, and a member of both the audit committee and the remuneration committee of the Company. She is also an independent non-executive director of Asia Insurance. Ms. Chow was admitted as a solicitor of the Supreme Court of England and of Hong Kong respectively in 1973 and she has been in legal practice in Hong Kong since 1973. Ms. Chow was a partner of Messrs. Peter C. Wong, Chow and Chow from 1st April, 1989 to 30th September, 2012 and has since 1st October, 2012 become a consultant of the firm. The firm has since 1st February, 2016, changed its name to Guantao and Chow. She was appointed as a Notary Public by the Faculty Office of Archbishop of Canterbury in 1984 and as a China-Appointed Attesting Officer by the Ministry of Justice, The People's Republic of China in 1991 and has been practicing as a Notary Public and an attesting officer since the said years respectively. Ms. Chow was appointed as a chairman and a member of a number of public services committees of the Government of the HKSAR. She was a chairman of the Appeal Tribunal under Building Ordinance (Cap.123) and the Railway Objections Hearing Panel under the Transport Bureau respectively. She was a member of the Vetting Committee for the Professional Services Development Assistance Scheme under the Commerce and Economic Development Bureau, ICAC Complaints Committee, the Administrative Appeals Board, Inland Revenue Review Board, the Criminal Injuries Compensation Board and the Law Enforcement Injuries Compensation Board respectively. She served on the Inland Revenue Review Board as a deputy chairman from 1998 to 2007. She had also been a member of the Solicitors Disciplinary Tribunal Panel of the Law Society. Ms. Chow is also a director of a number of charitable organizations, namely Chi Lin Nunnery, Poh Yea Ching Shea Limited and Chi Hong Ching Yuen Limited. She was a trustee of The D.H. Chen Foundation from 1st December, 1998 and became the honorary secretary of The D.H. Chen Foundation on 1st January, 2010. She resigned as both a trustee and the honorary secretary of the foundation on 1st June, 2012. Ms. Chow is the honorary legal advisor to The Federation of Medical Societies of Hong Kong, and a director and the honorary secretary to the Association of China-Appointed Attesting Officers Limited.

Mr. MA Andrew Chiu Cheung, aged 74, has been an independent non-executive director of the Company since 3rd September, 2004. Mr. Ma is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the compliance committee of the Company. He is also an independent non-executive director of Asia Insurance. Mr. Ma is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited) and is presently a director of Mayee Management Limited. Mr. Ma has more than 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong, including Asiaray Media Group Limited, China Resources Power Holdings Company Limited, Chong Hing Bank Limited and C.P. Pokphand Co. Ltd. Mr. Ma resigned as an independent non-executive director of Tanrich Financial Holdings Limited on 27th January, 2015 and Beijing Properties (Holdings) Limited on 3rd December, 2014. Both companies are listed on the Stock Exchange. On 12th November, 2013, he also retired as an independent non-executive director of Asian Citrus Holdings Limited which is listed on the Stock Exchange, AIM of the London Stock Exchange and PLUS Markets.

Brief Biographical Details of Directors and Senior Management Staff (cont'd)

Independent Non-Executive Directors: (cont'd)

Mr. SIAO Chi Lam Kenneth, aged 68, has been a member of the Board since 28th June, 1999 and was redesignated as a non-executive director of the Company on 30th September, 2004. He became an independent non-executive director of the Company after another redesignation on 6th December, 2011. Mr. Siao is a member of both the audit committee and the compliance committee of the Company. Mr. Siao is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University and his Bachelor of Laws degree (LL.B) from King's College, University of London. Mr. Siao is a Notary Public in Hong Kong and a China-Appointed Attesting Officer. He was co-opted as a Council Member of The Law Society of Hong Kong in 1994 and is currently the honorary fellow member of the Hong Kong Institute of Real Estate Administrators. Mr. Siao has extensive experience in banking, commercial, corporate and property matters.

Dr. WONG Yu Hong Philip, G.B.S., aged 77, has been a member of the Board since 19th October, 1990 and was redesignated as a non-executive director of the Company on 3rd September, 2004. He became an independent non-executive director of the Company after another redesignation on 6th December, 2011. He is also a non-executive director of Asia Insurance. He has been with the Group for over 20 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987 respectively. Dr. Wong is the Chairman of Winco Paper Products Company Limited, the Life Honorary Chairman of The Chinese General Chamber of Commerce and the Honorary Chairman of the Hong Kong Publishing Federation. He had been a Deputy to the National People's Congress of the People's Republic of China and a member of the Legislative Council of the HKSAR. Dr. Wong is currently an independent non-executive director of Hop Hing Group Holdings Limited which is listed on the Stock Exchange.

Mrs. LAI KO Wing Yee Rebecca, J.P., aged 57, has been an independent non-executive director of the Company since 3rd December, 2012. Mrs. Lai is the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the compliance committee of the Company. She is also an independent non-executive director of Asia Insurance. Mrs. Lai is the Director of Education Initiatives of China Graduate School of Theology. She obtained her Bachelor of Arts (Hons) degree from University of Hong Kong, Master of Business Administration from the Chinese University of Hong Kong and Master of Christian Studies (Counselling) from China Graduate School of Theology. Mrs. Lai has over 25 years' experience in the civil service. Her last position with the Government of the HKSAR in 2006 was the Permanent Secretary for the Civil Service. Mrs. Lai currently is a Court member of City University of Hong Kong.

Employees and Remuneration Policy

The total number of employees of the Group was approximately 295 at the end of the reporting period (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 year. 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.

Report of the Directors

Donations

During the year, the Group made charitable donations totalling HK\$3,381,000 (2014: HK\$3,766,000).

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company believes that the percentage of shares of the Company which were in the hands of the public was above the relevant prescribed minimum percentage as at the date of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Corporate Governance

Details of the Company's corporate governance practices are set out in the Corporate Governance Report in this annual report.

Auditors

The financial statements for the year ended 31st December, 2015 have been audited by Ernst & Young who retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

CHAN Yau Hing Robin

Chairman

Hong Kong, 23rd March, 2016

Independent Auditors' Report



To the shareholders of Asia Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Financial Holdings Limited (the “Company”) and its subsidiaries set out on pages 45 to 130, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the shareholders of Asia Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December, 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

23rd March, 2016

Consolidated Statement of Profit or Loss

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
REVENUE	4	1,173,510	1,279,625
Gross premiums	26(a)	1,250,977	1,314,268
Reinsurers' share of gross premiums	26(b)	(365,932)	(384,092)
Net insurance contracts premiums revenue		885,045	930,176
Gross claims paid	27(a)	(469,865)	(506,792)
Reinsurers' share of gross claims paid	27(b)	101,597	148,352
Gross change in outstanding claims	27(c)	(141,823)	(174,213)
Reinsurers' share of gross change in outstanding claims	27(d)	34,053	(20,546)
Net claims incurred		(476,038)	(553,199)
Commission income		66,402	73,601
Commission expense		(255,840)	(278,376)
Net commission expense		(189,438)	(204,775)
Management expenses for underwriting business		(60,646)	(60,483)
Underwriting profit		158,923	111,719
Dividend income		117,495	87,619
Realised gain/(loss) on investments		(13,986)	11,774
Unrealised gain/(loss) on investments		(8,165)	141,857
Interest income		67,946	72,787
Other income and gains, net		(18,523)	21,293
		303,690	447,049
Operating expenses		(124,514)	(108,637)
Finance costs	5	(2,440)	(2,324)
		176,736	336,088
Share of profits and losses of joint ventures		27,207	41,639
Share of profits and losses of associates		6,784	29,826
PROFIT BEFORE TAX	6	210,727	407,553
Income tax expense	9	(23,089)	(33,900)
PROFIT FOR THE YEAR		187,638	373,653

...cont'd

Consolidated Statement of Profit or Loss

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Attributable to:			
Equity holders of the Company		186,063	365,507
Non-controlling interests		1,575	8,146
		<u>187,638</u>	<u>373,653</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For profit for the year		<u>HK18.3 cents</u>	<u>HK35.9 cents</u>
Diluted			
– For profit for the year		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR		<u>187,638</u>	<u>373,653</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale securities:			
Changes in fair value		22,988	381,358
Share of other comprehensive income/(expense) of joint ventures		(4,960)	1,904
Share of other comprehensive expense of associates		(15,740)	(8,376)
Exchange differences on translation of foreign operations		<u>34</u>	<u>4</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>2,322</u>	<u>374,890</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Asset revaluation reserve:			
Gain on property revaluation	12	12,024	–
Income tax effect	30	<u>(1,975)</u>	<u>–</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<u>10,049</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>12,371</u>	<u>374,890</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>200,009</u>	<u>748,543</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		198,062	740,042
Non-controlling interests		<u>1,947</u>	<u>8,501</u>
		<u>200,009</u>	<u>748,543</u>

Consolidated Statement of Financial Position

31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
ASSETS			
Property, plant and equipment	12	324,262	337,592
Investment properties	13	23,100	9,600
Interests in joint ventures	14	257,719	254,438
Loans to joint ventures	14	33,335	8,669
Interests in associates	15	314,140	329,426
Due from an associate	15	168,390	168,390
Deferred tax assets	30	1,913	5,756
Held-to-maturity securities	16	587,886	554,224
Available-for-sale securities	17	3,426,715	3,400,372
Pledged deposits	22	148,236	131,730
Loans and advances and other assets	18	92,942	188,225
Securities measured at fair value through profit or loss	19	1,853,696	1,636,611
Insurance receivables	20	201,622	208,927
Reinsurance assets	21	567,198	554,315
Cash and cash equivalents	22	2,162,868	2,172,877
Total assets		10,164,022	9,961,152

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Consolidated Statement of Financial Position

31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	23	1,019,200	1,019,200
Reserves	24	5,990,225	5,838,342
Proposed final dividend	10	10,192	50,960
		7,019,617	6,908,502
Non-controlling interests		40,312	38,391
Total equity		7,059,929	6,946,893
Liabilities			
Insurance contracts liabilities	25	2,455,748	2,391,392
Insurance payables		154,323	138,144
Due to a joint venture	14	24,532	26,589
Due to associates	15	4,222	4,222
Other liabilities	28	275,077	244,713
Interest-bearing bank borrowing	29	150,000	150,000
Tax payable		28,382	49,353
Deferred tax liabilities	30	11,809	9,846
Total liabilities		3,104,093	3,014,259
Total equity and liabilities		10,164,022	9,961,152

CHAN Yau Hing Robin
Chairman

CHAN Bernard Charnwut
Executive Director & President

Consolidated Statement of Changes in Equity

Year ended 31st December, 2015

	Attributable to equity holders of the Company												Non-controlling interests	Total
	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000 (note 24)	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 final dividend 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 year	-	-	-	-	-	-	-	-	-	365,507	-	365,507	8,146	373,653
Other comprehensive income/(expense) for the year:														
Changes in fair value of available-for-sale securities (note 17)	-	-	-	381,358	-	-	-	-	-	-	-	381,358	-	381,358
Share of other comprehensive income of joint ventures (note 14)	-	-	-	908	-	996	-	-	-	-	-	1,904	-	1,904
Share of other comprehensive income of associates (note 15)	-	-	-	817	-	(9,548)	-	-	-	-	-	(8,731)	355	(8,376)
Exchange differences on translation of foreign operations	-	-	-	-	-	4	-	-	-	-	-	4	-	4
Total comprehensive income/(expense) for the year	-	-	-	383,083	-	(8,548)	-	-	-	365,507	-	740,042	8,501	748,543
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	-	(45,864)	(45,864)	-	(45,864)
Interim 2014 dividend (note 10)	-	-	-	-	-	-	-	-	-	(30,576)	-	(30,576)	-	(30,576)
Proposed final 2014 dividend (note 10)	-	-	-	-	-	-	-	-	-	(50,960)	50,960	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(630)	(630)
Transfer to contingency reserve	-	-	14,419	-	-	-	-	-	-	(14,419)	-	-	-	-
Release from contingency reserve	-	-	(3,455)	-	-	-	-	-	-	3,455	-	-	-	-
At 31st December, 2014	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

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Consolidated Statement of Changes in Equity

Year ended 31st December, 2015

	Attributable to equity holders of the Company												
	Issued capital	Share premium account	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note 24)										
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
Profit for the year	-	-	-	-	-	-	-	-	-	186,063	-	186,063	1,575
Other comprehensive income/(expense) for the year:													
Changes in fair value of available-for-sale securities (note 17)	-	-	-	22,988	-	-	-	-	-	-	-	22,988	-
Share of other comprehensive income of joint ventures (note 14)	-	-	-	(1,906)	-	(3,054)	-	-	-	-	-	(4,960)	-
Share of other comprehensive income of associates (note 15)	-	-	-	786	-	(16,898)	-	-	-	-	-	(16,112)	372
Exchange differences on translation of foreign operations	-	-	-	-	-	34	-	-	-	-	-	34	-
Gain on property revaluation	-	-	-	-	10,049	-	-	-	-	-	-	10,049	-
Total comprehensive income/(expense) for the year	-	-	-	21,868	10,049	(19,918)	-	-	-	186,063	-	198,062	1,947
Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	-	(50,960)	(50,960)	-
Interim 2015 dividend (note 10)	-	-	-	-	-	-	-	-	-	(36,691)	-	(36,691)	-
Proposed final 2015 dividend (note 10)	-	-	-	-	-	-	-	-	-	(10,192)	10,192	-	-
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(26)
Transfer to contingency reserve	-	-	15,465	-	-	-	-	-	-	(15,465)	-	-	-
Release from contingency reserve	-	-	(4,458)	-	-	-	-	-	-	4,458	-	-	-
Share of changes in contingency reserve of a joint venture	-	-	704	-	-	-	-	-	-	-	-	704	-
At 31st December, 2015	1,019,200	560,531*	64,436*	1,232,943*	56,120*	12,425*	2,427*	513,240*	38,821*	3,509,282*	10,192	7,019,617	40,312

* These reserve accounts comprise the consolidated reserves of HK\$5,990,225,000 (2014: HK\$5,838,342,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		210,727	407,553
Adjustments for:			
Interest income	6	(67,946)	(72,787)
Finance costs	5	2,440	2,324
Dividend income from investments	6	(117,495)	(87,619)
Loss/(gain) on redemption/call-back of held-to-maturity securities	6	138	(61)
Gain on disposal of available-for-sale securities	6	(113)	(12,381)
Impairment of available-for-sale securities	6	–	1,200
Write-back of impairment of insurance receivables	6	–	(3)
Depreciation	6	14,748	10,809
Changes in fair value of investment properties	6	–	(2,340)
Gain on disposal/write-off of items of property, plant and equipment	6	(143)	(75)
Share of profits and losses of joint ventures		(27,207)	(41,639)
Share of profits and losses of associates		(6,784)	(29,826)
		8,365	175,155
Decrease in loans and advances and other assets		95,283	16,127
Decrease/(increase) in securities measured at fair value through profit or loss		(217,085)	276,149
Decrease in insurance receivables		7,305	41,471
Decrease/(increase) in reinsurance assets		(12,883)	34,682
Decrease/(increase) in time deposits with original maturity of over three months		112,039	(261,316)
Increase in insurance contracts liabilities		64,356	139,570
Increase/(decrease) in insurance payables		16,179	(62,019)
Increase/(decrease) in other liabilities		30,398	(12,598)
Cash generated from operations		103,957	347,221
Hong Kong profits tax paid		(36,747)	(405)
Overseas taxes paid		(3,482)	(3,328)
Net cash flows from operating activities		63,728	343,488

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Consolidated Statement of Cash Flows

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Net cash flows from operating activities		63,728	343,488
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		67,946	72,787
Dividends received from investments		117,495	87,619
Dividends received from joint ventures	14	19,670	16,720
Dividends received from associates	15	10,620	9,225
Purchases of held-to-maturity securities		(63,298)	(48,964)
Purchases of available-for-sale securities		(3,355)	(50,000)
Proceeds from redemption/call back of held-to-maturity securities		29,498	192,018
Proceeds from disposal of available-for-sale securities		113	73,081
Purchases of items of property, plant and equipment	12	(2,950)	(188,009)
Proceeds from disposal of items of property, plant and equipment		199	340
Capital contribution to associates		(4,290)	(25,812)
Advances of loans to a joint venture		(27,500)	–
Repayment of a loan to a joint venture		2,834	2,834
Increase/(decrease) in an amount due to a joint venture		(2,057)	345
Increase in pledged deposits		(16,506)	(11,650)
Net cash flows from investing activities		128,419	130,534
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowing		–	(50,000)
Dividend paid to non-controlling interests		–	(630)
Distribution to non-controlling interests upon deregistration of a subsidiary		(26)	–
Dividends paid		(87,651)	(76,440)
Interest paid		(2,440)	(2,324)
Net cash flows used in financing activities		(90,117)	(129,394)
NET INCREASE IN CASH AND CASH EQUIVALENTS		102,030	344,628
Cash and cash equivalents at beginning of year		1,621,990	1,277,362
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,724,020	1,621,990

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Consolidated Statement of Cash Flows

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	149,641	219,650
Non-pledged time deposits with original maturity of over three months when acquired	22	438,848	550,887
Non-pledged time deposits with original maturity of less than three months when acquired	22	1,574,379	1,402,340
Cash and cash equivalents as stated in the consolidated statement of financial position		2,162,868	2,172,877
Less: Non-pledged time deposits with original maturity of over three months when acquired		(438,848)	(550,887)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,724,020	1,621,990

1. Corporate and Group Information

Asia Financial Holdings Limited is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is located at 16th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group comprise the provision of underwriting of general and life insurance. There were no significant changes in the nature of the Group’s principal activities during the year. Particulars of the Company’s principal subsidiaries are detailed in note 37 of the financial statements.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Claremont Capital Holdings Ltd, which was incorporated in the British Virgin Islands.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, securities measured at fair value through profit or loss and certain available-for-sale securities, which have been measured at fair value, and certain buildings classified as property, plant and equipment, which were carried at 1990 valuation. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Notes to Financial Statements

31st December, 2015

2.1 Basis of Preparation (cont'd)

Basis of consolidation (cont'd)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in consolidated statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to consolidated statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception¹</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations¹</i>
HKFRS 14	<i>Regulatory Deferral Accounts³</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKAS 1	<i>Disclosure Initiative¹</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants¹</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements¹</i>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs¹</i>

¹ Effective for annual periods beginning on or after 1st January, 2016

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date yet but is available for adoption

Notes to Financial Statements

31st December, 2015

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (cont'd)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1st January, 2016.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1st January, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (ii) fees and commission income, when services are rendered;
- (iii) premiums from direct underwriting and reinsurance businesses, based on insurance policy contracts inception and advices received from the cedants during the financial year, respectively, and are recognised as income when risk coverage is provided to the insured or the cedants;
- (iv) rental income, on a time proportion basis over the lease terms; and
- (v) dividend income, when the shareholder's right to receive payment has been established.

Commission expenses and other acquisition costs

Commission expenses and other acquisition costs relating to the underwriting business are not deferred and are charged to the statement of profit or loss as incurred.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

Notes to Financial Statements

31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Investments in associates and joint ventures (cont'd)

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures and is not individually tested for impairment.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 Summary of Significant Accounting Policies (cont'd)

Business combinations and goodwill (cont'd)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements

31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Fair value measurement

The Group measures its investment properties, securities measured at fair value through profit or loss and certain available-for-sale securities at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, reinsurance assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Advantage has been taken of the transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment*, which grants an exemption from the requirement to continue making revaluations of the premises of the Group subsequent to 1995 and, accordingly, no revaluation of these premises has been carried out since then.

Notes to Financial Statements

31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Property, plant and equipment and depreciation (cont'd)

Land and buildings with residual lease periods of not more than 50 years are depreciated in equal annual instalments over the terms of leases excluding any renewal period. Buildings with residual lease periods of more than 50 years are depreciated on a straight-line basis at 2% per annum.

Furniture, fixtures, equipment, yacht and motor vehicles are depreciated to write off the cost of each asset over their estimated useful lives of 3 to 10 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset. On disposal or retirement, any attributable revaluation surplus realised in respect of previous valuations is transferred directly to retained profits as a reserve movement.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the asset revaluation reserve.

2.4 Summary of Significant Accounting Policies (cont'd)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements

31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and other financial assets (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" above.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and other financial assets (cont'd)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment reserve to the statement of profit or loss in gain or loss on investments. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss in accordance with the policies set out for "Revenue recognition" above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of financial assets (cont'd)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of profit or loss. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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2.4 Summary of Significant Accounting Policies (cont'd)

Derecognition of financial assets (cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other liabilities, amounts due to a joint venture and associates, insurance payables and interest-bearing bank borrowing.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (cont'd)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 Summary of Significant Accounting Policies (cont'd)

Product classification – Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expire.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is discharged or cancelled, or expires.

Insurance contracts liabilities

General insurance contracts liabilities

General insurance contracts liabilities include the outstanding claims provision and the provision for unearned premiums. The outstanding claims provision is based on estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date.

Outstanding claims

Full provision has been made for outstanding claims, including those incurred but not reported and incurred but not enough reported until after the end of the reporting period, and also for the related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claims provisions are not discounted for the time value of money and no estimate of inflationary adjustment is admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

Incurred but not reported outstanding claims are in respect of losses incurred prior to the end of the reporting period but reported only subsequent to the end of the reporting period. These outstanding claims have been estimated by reference to the historical pattern of claims settlement in respect of each major class of insurance portfolio. Any differences between the original claims provisions made in previous years and the subsequently revised or settled amount are included in the revenue account for the financial year in which the revision or settlement is made.

2.4 Summary of Significant Accounting Policies (cont'd)

Insurance contracts liabilities (cont'd)

Unearned premiums

The provision for unearned premiums represents that portion of premium received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is computed by reference to an actuarial valuation carried out annually.

Liability adequacy test

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with HKFRS to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in the paragraph "Derecognition of financial assets" above, have been met.

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2.4 Summary of Significant Accounting Policies (cont'd)

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are estimated in accordance with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (cont'd)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all material temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all material taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all material deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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31st December, 2015

2.4 Summary of Significant Accounting Policies (cont'd)

Income tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits and/or contributed surplus within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (cont'd)

Foreign currencies (cont'd)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

The Group operates a defined contribution provident fund (the "Fund") and a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees. Contributions to the Fund and the MPF Scheme are charged to the statement of profit or loss as incurred. The amount of contributions by the Group is based on a specified percentage of the monthly relevant income of the eligible employees. Forfeited contributions of the Fund in respect of employees who leave before the contributions become fully vested are available to the Group to reduce its ongoing funding and retirement scheme costs. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully. The assets of the Fund and the MPF Scheme are held separately from those of the Group and placed in independently administered funds.

2.5 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimates, assumptions and judgements are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of insurance contracts liabilities

It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims is using the past claim settlement trends to predict the future claim settlement trends. At each reporting date, prior year estimates of claims are reassessed for adequacy and any changes from the previous assessment are made to the provision.

The carrying value at the end of the reporting period for these general insurance contracts liabilities was HK\$1,677,152,000 (2014: HK\$1,538,256,000) (note 25(b)).

Notes to Financial Statements

31st December, 2015

2.5 Significant Accounting Judgements and Estimates (cont'd)

Estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31st December, 2015 was HK\$2,343,000 (2014: HK\$6,186,000). The amount of unrecognised tax losses at 31st December, 2015 was HK\$251,635,000 (2014: HK\$217,162,000). Further details are contained in note 30 to the financial statements.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their values is measured using valuation techniques or models. The inputs for these valuation techniques and models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Further details are contained in notes 17, 19 and 34 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the value of unlisted assets declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. The net carrying amount of unlisted available-for-sale securities was HK\$1,592,807,000 (2014: HK\$1,589,531,000) (note 17).

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their business activities and has two reportable operating segments as follows:

- (a) the insurance segment engages in the provision of underwriting of general and life insurance; and
- (b) the corporate segment engages in securities trading and holding and other businesses.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from existing operations.

Intersegment transactions are conducted with reference to the terms used for transactions with third parties.

Notes to Financial Statements

31st December, 2015

3. Operating Segment Information (cont'd)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2015 and 2014.

	Insurance		Corporate		Eliminations		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue:								
External customers	1,173,510	1,279,625	–	–	–	–	1,173,510	1,279,625
Other revenue, income and gains, net	80,852	228,487	63,915	106,843	–	–	144,767	335,330
Intersegment	6,706	6,555	–	–	(6,706)	(6,555)	–	–
Total	1,261,068	1,514,667	63,915	106,843	(6,706)	(6,555)	1,318,277	1,614,955
Segment results	187,422	286,562	(10,686)	49,526	–	–	176,736	336,088
Share of profits and losses of:								
Joint ventures	7,344	21,889	19,863	19,750	–	–	27,207	41,639
Associates	6,658	16,522	126	13,304	–	–	6,784	29,826
Profit before tax							210,727	407,553
Income tax expense	(19,276)	(30,465)	(3,813)	(3,435)	–	–	(23,089)	(33,900)
Profit for the year							187,638	373,653

Notes to Financial Statements

31st December, 2015

3. Operating Segment Information (cont'd)

	Insurance		Corporate		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment assets	5,290,658	5,379,882	4,301,505	3,997,406	9,592,163	9,377,288
Interests in joint ventures	157,829	154,822	99,890	99,616	257,719	254,438
Interests in associates	141,777	140,291	172,363	189,135	314,140	329,426
Total assets	5,590,264	5,674,995	4,573,758	4,286,157	10,164,022	9,961,152
Segment liabilities	2,803,555	2,674,742	300,538	339,517	3,104,093	3,014,259
Other segment information:						
Depreciation charges	6,547	8,511	8,201	2,298	14,748	10,809
Gain on disposal/write-off of items of property, plant and equipment	(118)	(15)	(25)	(60)	(143)	(75)
Gain on change in fair value of investment properties	-	(2,340)	-	-	-	(2,340)
Impairment of available-for-sale securities	-	1,200	-	-	-	1,200
Write-back of impairment of insurance receivables	-	(3)	-	-	-	(3)
Capital expenditure	1,638	180,737	1,312	23,272	2,950	204,009

Geographical information

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

4. Revenue

Revenue represents gross premiums net of discounts, from the direct and reinsurance businesses underwritten during the year.

5. Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interest on a bank loan	2,440	2,324

Notes to Financial Statements

31st December, 2015

6. Profit Before Tax

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

	Notes	2015 HK\$'000	2014 HK\$'000
Auditors' remuneration		(3,108)	(2,980)
Depreciation	12	(14,748)	(10,809)
Employee benefit expense (including directors' remuneration, note 7):			
Wages and salaries		(112,437)	(101,356)
Pension scheme contributions		(5,242)	(4,543)
Less: Forfeited contributions		92	196
Net pension scheme contributions		(5,150)	(4,347)
Total employee benefit expense		(117,587)	(105,703)
Minimum lease payments under operating leases		(1,361)	(1,263)
Realised gain/(loss) on:			
– disposal of securities measured at fair value through profit or loss (held for trading), net		(13,961)	(668)
– disposal of available-for-sale securities		113	12,381
– redemption/call-back of held-to-maturity securities		(138)	61
Total realised gain/(loss) on investments		(13,986)	11,774
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net		(8,165)	143,057
Impairment of available-for-sale securities		–	(1,200)
Total unrealised gain/(loss) on investments		(8,165)	141,857
Interest income		67,946	72,787
Gain on disposal/write-off of items of property, plant and equipment		143	75
Change in fair value of investment properties	13	–	2,340
Write-back of impairment of insurance receivables	20	–	3
Net gain on conversion of convertible notes and disposal of the underlying shares*		–	25,353
Foreign exchange loss, net*		(26,332)	(9,478)
Dividend income from:			
Listed investments		63,717	62,340
Unlisted investments		53,778	25,279
Total dividend income		117,495	87,619

* Such amount was included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

Notes to Financial Statements

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7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2015	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:					
CHAN Yau Hing Robin	120	1,836	2,900	72	4,928
CHAN Bernard Charnwut ¹	160	4,343	600	200	5,303
TAN Stephen	80	2,843	400	113	3,436
WONG Kok Ho	100	3,391	400	156	4,047
	<u>460</u>	<u>12,413</u>	<u>4,300</u>	<u>541</u>	<u>17,714</u>
Non-executive directors:					
SOPHONPANICH Choedchu	100	12	150	–	262
NG Song Hin	60	–	–	–	60
CHAN Yeow Toh	100	–	–	–	100
YAMAGUCHI Yoshihiro ²	60	–	–	–	60
TANAKA Junichi ³	60	–	–	–	60
	<u>380</u>	<u>12</u>	<u>150</u>	<u>–</u>	<u>542</u>
Independent non-executive directors:					
MA Andrew Chiu Cheung	190	–	–	–	190
CHOW Suk Han Anna	200	–	–	–	200
SIAO Chi Lam Kenneth	100	–	–	–	100
WONG Yu Hong Philip	100	–	–	–	100
LAI KO Wing Yee Rebecca	190	–	–	–	190
	<u>780</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>780</u>
	<u>1,620</u>	<u>12,425</u>	<u>4,450</u>	<u>541</u>	<u>19,036</u>

¹ Mr. CHAN Bernard Charnwut is also the President of the Group.

² The directorship of Mr. YAMAGUCHI Yoshihiro was nominated by Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). As per Aioi Insurance's instruction, the director's fee of HK\$60,000 for the year ended 31st December, 2015 was paid directly to Aioi Insurance.

³ The directorship of Mr. TANAKA Junichi was nominated by Sompo Japan Nipponkoa Insurance Inc. As per Mr. TANAKA Junichi's instruction, his director's fee of HK\$60,000 for the year ended 31st December, 2015 was paid to "Sompo Japan Nipponkoa Insurance Inc. China & Asia Operations Headquarters (Hong Kong)" directly.

31st December, 2015

7. Directors' Remuneration (cont'd)

2014	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:					
CHAN Yau Hing Robin	120	1,836	4,200	72	6,228
CHAN Bernard Charnwut ¹	160	4,157	1,050	191	5,558
TAN Stephen	80	2,838	920	108	3,946
WONG Kok Ho	100	3,245	650	149	4,144
	<u>460</u>	<u>12,076</u>	<u>6,820</u>	<u>520</u>	<u>19,876</u>
Non-executive directors:					
LAU Ki Chit ²	61	—	—	—	61
SOPHONPANICH Choedchu	100	12	200	—	312
NG Song Hin	60	—	—	—	60
CHAN Yeow Toh	100	—	—	—	100
YAMAGUCHI Yoshihiro ³	60	—	—	—	60
TANAKA Junichi ^{4,5}	39	—	—	—	39
	<u>420</u>	<u>12</u>	<u>200</u>	<u>—</u>	<u>632</u>
Independent non-executive directors:					
MA Andrew Chiu Cheung	190	—	—	—	190
CHOW Suk Han Anna	200	—	—	—	200
SIAO Chi Lam Kenneth	100	—	—	—	100
WONG Yu Hong Philip	100	—	—	—	100
LAI KO Wing Yee Rebecca	190	—	—	—	190
	<u>780</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>780</u>
	<u>1,660</u>	<u>12,088</u>	<u>7,020</u>	<u>520</u>	<u>21,288</u>

¹ Mr. CHAN Bernard Charnwut was also the President of the Group.

² Resigned during the year ended 31st December, 2014

³ The directorship of Mr. YAMAGUCHI Yoshihiro was nominated by Aioi Insurance. As per Aioi Insurance's instruction, the director's fee of HK\$60,000 for the year ended 31st December, 2014 was paid directly to Aioi Insurance.

⁴ Appointed during the year ended 31st December, 2014

⁵ The directorship of Mr. TANAKA Junichi was nominated by Sompo Japan Nipponkoa Insurance Inc. As per Mr. TANAKA Junichi's instruction, his director's fee of HK\$39,000 for the year ended 31st December, 2014 was paid to "Sompo Japan Nipponkoa Insurance Inc. China & Asia Operations Headquarters (Hong Kong)" directly.

Notes to Financial Statements

31st December, 2015

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2014: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who is non-director of the Company are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, commission, allowances and benefits in kind	2,010	3,228
Discretionary bonuses	250	–
Pension scheme contributions	93	14
	2,353	3,242

The remuneration of the remaining one (2014: one) non-director, highest paid employee fell within the band of HK\$2,000,001 to HK\$2,500,000 (2014: HK\$3,000,001 to HK\$3,500,000).

9. Income Tax

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	14,860	29,065
Overprovision in prior years	(535)	(403)
Current – Elsewhere		
Charge for the year	4,703	4,068
Underprovision/(overprovision) in prior years	230	(185)
Deferred (note 30)	3,831	1,355
Total tax charge for the year	23,089	33,900

31st December, 2015

9. Income Tax (cont'd)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

2015

	Hong Kong HK\$'000	Macau HK\$'000	Total HK\$'000
Profit before tax	178,974	31,753	210,727
Tax at the statutory tax rates	29,531	3,810	33,341
Share of profits and losses attributable to joint ventures and associates	(5,609)	–	(5,609)
Adjustments in respect of current tax of previous periods	(535)	230	(305)
Income not subject to tax	(23,437)	–	(23,437)
Expenses not deductible for tax	16,361	893	17,254
Tax losses from previous periods utilised	(5,281)	–	(5,281)
Tax losses not recognised	7,126	–	7,126
Tax charge at the Group's effective rate	18,156	4,933	23,089

2014

	Hong Kong HK\$'000	Macau HK\$'000	Total HK\$'000
Profit before tax	381,628	25,925	407,553
Tax at the statutory tax rates	62,969	3,111	66,080
Share of profits and losses attributable to joint ventures and associates	(11,792)	–	(11,792)
Adjustments in respect of current tax of previous periods	(403)	(185)	(588)
Income not subject to tax	(29,760)	(577)	(30,337)
Expenses not deductible for tax	5,958	1,534	7,492
Tax losses from previous periods utilised	(2,116)	–	(2,116)
Tax losses not recognised	5,161	–	5,161
Tax charge at the Group's effective rate	30,017	3,883	33,900

Notes to Financial Statements

31st December, 2015

9. Income Tax (cont'd)

The share of tax attributable to joint ventures amounting to HK\$7,071,000 (2014: HK\$5,326,000) is included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss. The share of tax attributable to associates and the effect of withholding tax on the distributable profits of the Group's associate in the People Republic of China amounting to HK\$3,513,000 (2014: HK\$8,860,000) and HK\$18,000 (2014: HK\$781,000), respectively, are included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

10. Dividends

	2015 HK\$'000	2014 HK\$'000
Interim – HK3.6 cents (2014: HK3.0 cents) per ordinary share	36,691	30,576
Proposed final – HK1.0 cent (2014: HK5.0 cents) per ordinary share	10,192	50,960
	<u>46,883</u>	<u>81,536</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, the proposed final dividend has been included in the proposed final dividend reserve account within the equity attributable to the equity holders of the Company of the statement of financial position.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$186,063,000 (2014: HK\$365,507,000) and 1,019,200,000 (2014: 1,019,200,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2015 and 2014.

31st December, 2015

12. Property, Plant and Equipment**31st December, 2015**

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yacht and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:			
At beginning of year	378,109	87,869	465,978
Additions	–	2,950	2,950
Disposals/write-off	–	(2,878)	(2,878)
Transfer to investment properties	(2,483)	–	(2,483)
At 31st December, 2015	375,626	87,941	463,567
Accumulated depreciation and impairment:			
At beginning of year	66,799	61,587	128,386
Charge for the year	7,499	7,249	14,748
Disposals/write-off	–	(2,822)	(2,822)
Transfer to investment properties	(1,007)	–	(1,007)
At 31st December, 2015	73,291	66,014	139,305
Net book value:			
At 31st December, 2015	302,335	21,927	324,262
At 31st December, 2014	311,310	26,282	337,592

Notes to Financial Statements

31st December, 2015

12. Property, Plant and Equipment (cont'd)

31st December, 2014

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yacht and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:			
At beginning of year	199,739	64,639	264,378
Additions	178,370	25,639	204,009
Disposals/write-off	—	(2,409)	(2,409)
At 31st December, 2014	378,109	87,869	465,978
Accumulated depreciation and impairment:			
At beginning of year	59,880	59,841	119,721
Charge for the year	6,919	3,890	10,809
Disposals/write-off	—	(2,144)	(2,144)
At 31st December, 2014	66,799	61,587	128,386
Net book value:			
At 31st December, 2014	311,310	26,282	337,592
At 31st December, 2013	139,859	4,798	144,657

During the year ended 31st December, 2015, certain land and buildings was transferred to investment properties at fair value of HK\$13,500,000 (note 13). Accordingly, an asset revaluation reserve of HK\$12,024,000 was credited to other comprehensive income.

31st December, 2015

13. Investment Properties

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1st January	9,600	7,260
Change in fair value of investment properties (<i>note 6</i>)	–	2,340
Transfer from property, plant and equipment (<i>note 12</i>)	13,500	–
Carrying amount at 31st December	23,100	9,600

The Group's investment properties were revalued at 31st December, 2015 based on valuations performed by Memfus Wong Surveyors Limited and AA Property Services Limited, independent firms of professionally qualified valuers, at HK\$13,500,000 (2014: Nil) and HK\$9,600,000 (2014: HK\$9,600,000), respectively. The Group decides to appoint which external valuer to be responsible for the external valuation of the Group's properties based on selection criteria including market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuers on the valuation assumptions and valuation results annually when the valuation is performed for financial reporting. The investment properties are leased to third parties under operating leases.

As at 31st December, 2015 and 2014, the fair value measurement of the Group's investment properties is categorised in Level 3 of the fair value hierarchy (i.e., fair value measurement using significant unobservable inputs).

During the years ended 31st December, 2015 and 2014, there were no transfers into or out of Level 3.

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13. Investment Properties (cont'd)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property in Hong Kong HK\$'000	Commercial properties in Macau HK\$'000	Total HK\$'000
Carrying amount at 1st January, 2014	–	7,260	7,260
Net gain from fair value adjustments	–	2,340	2,340
Carrying amount at 31st December, 2014 and 1st January, 2015	–	9,600	9,600
Transfer from property, plant and equipment	13,500	–	13,500
Carrying amount at 31st December, 2015	13,500	9,600	23,100

Below is a summary of the valuation techniques used and the key inputs to the valuation inputs of the investment properties:

Valuation techniques		Significant unobservable inputs	Range or weighted average	
			2015	2014
Commercial properties in Macau	Income capitalisation approach	Monthly rent per square feet Capitalisation rate	HK\$18 to HK\$23 3.6% to 4.5%	HK\$18 to HK\$23 3.6% to 4.6%
Commercial property in Hong Kong	Direct comparison plus term and reversion approach	Unit rate per square feet	HK\$21,000	N/A*

A significant increase/(decrease) in the monthly rent and unit rate per square feet in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

* The property was transferred from property, plant and equipment during the year ended 31st December, 2015.

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14. Interests in Joint Ventures

	Notes	2015 HK\$'000	2014 HK\$'000
Share of net assets		257,719	254,438
Goodwill on acquisition		16,655	16,655
		274,374	271,093
Less: Impairment	(i)	(16,655)	(16,655)
		257,719	254,438
Loans to joint ventures	(ii)	33,335	8,669
Due to a joint venture	(iii)	(24,532)	(26,589)

Notes:

- (i) As at 31st December, 2015, an impairment of HK\$16,655,000 (2014: HK\$16,655,000) was recognised for an interest in a joint venture with a carrying amount of HK\$47,772,000 (2014: HK\$50,569,000) (before deducting the impairment loss) because this joint venture has been loss-making for some time.
- (ii) At 31st December, 2015, a loan to a joint venture of the Group of HK\$5,835,000 (2014: HK\$8,669,000) is secured by a property situated in Hong Kong and bears interest at 2.6% (2014: 2.6%) above the Hong Kong Interbank Offered Rate ("HIBOR") per annum and is repayable by two (2014: three) annual instalments comprising one (2014: two) instalment of HK\$2,834,000 (2014: HK\$2,834,000) and the last instalment of HK\$3,001,000 (2014: HK\$3,001,000) commencing from the year ending 31st December, 2016 and subject to early repayment at the request of the joint venture.
- At 31st December, 2015, the loans to a joint venture amounting to HK\$27,500,000 (2014: Nil) are unsecured, bear interest at 2% per annum and have no fixed terms of repayment.
- (iii) Except for an amount due to a joint venture of HK\$23,451,000 (2014: HK\$25,761,000) which bears interest at 1.375% (2014: 1.5%) per annum, the amounts due to a joint venture are unsecured, interest-free and repayable on demand.

Notes to Financial Statements

31st December, 2015

14. Interests in Joint Ventures (cont'd)

Particulars of the joint ventures of the Group as at 31st December, 2015 are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of ownership interest and profit sharing	Voting power	Principal activities
Bank Consortium Holding Limited*	Corporate	Hong Kong	13.3	1 out of 7 [#]	Provision of mandatory provident fund scheme services
Hong Kong Life Insurance Limited	Corporate	Hong Kong	16.7	2 out of 12 [#]	Life insurance
BC Reinsurance Limited	Corporate	Hong Kong	21	2 out of 10 [#]	Reinsurance underwriting
Bumrungrad International Limited	Corporate	Thailand	19.5	1 out of 5 [#]	Provision of health care services
Super Win Limited*	Corporate	Hong Kong	50	2 out of 4 [#]	Property investment

Notes:

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

[#] Representing the number of votes on the board of directors attributable to the Group

During the year, the Group received dividend income amounting to HK\$19,670,000 (2014: HK\$16,720,000) from the joint ventures.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Share of the joint ventures' profit for the year	27,207	41,639
Share of the joint ventures' other comprehensive income/(expenses)	(4,960)	1,904
Share of the joint ventures' total comprehensive income	22,247	43,543
Aggregate carrying amount of the Group's interests in the joint ventures	257,719	254,438

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15. Interests in Associates

	2015 HK\$'000	2014 HK\$'000
Share of net assets	308,411	323,697
Goodwill on acquisition	5,729	5,729
	314,140	329,426

Particulars of the associates of the Group as at 31st December, 2015, which are all corporate entities, are as follows:

Name	Place of incorporation/ establishment and operation	Percentage of equity indirectly held by the Company	Issued ordinary/ registered share capital	Principal activities
APIC Holdings, Inc.*	Philippines	50	Peso23,241,700	Investment holding
Asian Insurance International (Holding) Limited	Bermuda	25	US\$5,740,000	Investment holding
Professional Liability Underwriting Services Limited	Hong Kong	27	HK\$3,000,000	Insurance agent
The People's Insurance Company of China (Hong Kong), Limited*	Hong Kong	17.375 [#]	HK\$360,000,000	Insurance underwriting
Key Apex Limited*	British Virgin Islands	27.5	US\$1,000	Investment holding
Excellent Star Development Limited	Hong Kong	27.5	HK\$1	Investment holding
上海盤谷房地產有限公司*	The People's Republic of China	27.5	RMB570,870,560	Property development
Health Horizons Enterprises Pte. Limited* ("HHE") (Note (a))	Singapore	20	US\$16,649,422	Investment holding
Bangkok Insurance (Lao) Company Limited* (Note (b))	Lao	27.5	LAK16,000,000,000	Insurance

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

[#] The Group holds 25% equity interest in this associate through a non-wholly-owned subsidiary

Notes to Financial Statements

31st December, 2015

15. Interests in Associates (cont'd)

Notes:

- (a) During the year ended 31st December, 2014, the Group subscribed 20% equity interest in HHE at a cash consideration of US\$3,329,885 (approximately HK\$25,812,000).
- (b) During the year ended 31st December, 2015, the Group subscribed 27.5% equity interest in Bangkok Insurance (Lao) Company Limited at a cash consideration of HK\$4,290,000.

The Group received dividend income amounting to HK\$10,620,000 (2014: HK\$9,225,000) from the associates during the year.

The amount due from an associate of HK\$168,390,000 (2014: HK\$168,390,000) is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this balance is considered as part of the Group's investment in the associate.

The amounts due to associates are classified as financial liabilities at amortised cost, and are unsecured, interest-free and have no fixed terms of repayment.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Share of the associates' profit for the year	6,784	29,826
Share of the associates' other comprehensive expenses	(15,740)	(8,376)
Share of the associates' total comprehensive income/(expenses)	(8,956)	21,450
Aggregate carrying amount of the Group's interests in the associates	314,140	329,426

16. Held-To-Maturity Securities

	2015 HK\$'000	2014 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	239,945	193,337
Listed debt securities outside Hong Kong, at amortised cost	174,146	231,308
Unlisted debt securities, at amortised cost	173,795	129,579
Total held-to-maturity securities	587,886	554,224
Fair value of listed and unlisted held-to-maturity securities	615,429	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.

31st December, 2015

16. Held-To-Maturity Securities (cont'd)

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 issuer as at the end of the reporting period are as follows:

	2015 HK\$'000	2014 HK\$'000
Public sector entities	3,594	3,664
Banks and other financial institutions	355,428	322,458
Corporate entities	228,864	228,102
	<u>587,886</u>	<u>554,224</u>

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

	2015 HK\$'000	2014 HK\$'000
With a residual maturity of:		
Three months or less	3,594	–
One year or less but over three months	15,564	29,640
Five years or less but over one year	367,871	323,490
Over five years	200,857	201,094
	<u>587,886</u>	<u>554,224</u>

At the end of the reporting period, the Group invested in the held-to-maturity securities with investment grade and non-investment grade amounting to HK\$479,429,000 (2014: HK\$445,959,000) and HK\$108,457,000 (2014: HK\$108,265,000), respectively.

During the year, 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 31st December, 2015, listed debt securities of the Group amounting to HK\$120,504,000 (2014: HK\$128,853,000) were pledged.

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17. Available-For-Sale Securities

	2015 HK\$'000	2014 HK\$'000
Listed equities in Hong Kong, at fair value	178,596	181,320
Listed equities outside Hong Kong, at fair value	1,655,312	1,629,521
Total listed available-for-sale securities	1,833,908	1,810,841
Unlisted equities, at cost	1,624,863	1,621,587
Less: Impairment	(32,056)	(32,056)
	1,592,807	1,589,531
Unlisted debt, at cost	6,213	6,213
Less: Impairment	(6,213)	(6,213)
	—	—
Total unlisted available-for-sale securities	1,592,807	1,589,531
Total available-for-sale securities	3,426,715	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:

	2015 HK\$'000	2014 HK\$'000
Banks and other financial institutions	2,182,757	2,426,033
Corporate entities	1,243,958	974,339
	3,426,715	3,400,372

During the year, the gross gain in respect of the Group's available-for-sale listed investments recognised in other comprehensive income amounted to HK\$22,988,000 (2014: HK\$381,358,000).

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\$1,592,807,000 (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 31st December, 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 (2014: HK\$150,000,000) (note 29).

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18. Loans and Advances and Other Assets

	2015 HK\$'000	2014 HK\$'000
Loans and advances	19,002	22,420
Accrued interest and other assets	73,940	165,805
Gross loans and advances and other assets	92,942	188,225

The Group's accrued interest and other assets were current in nature as at 31st December, 2015 and 2014. 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:

	2015 HK\$'000	2014 HK\$'000
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	458	543
One year or less but over three months	1,390	1,556
Five years or less but over one year	6,420	7,364
Over five years	10,734	12,957
	19,002	22,420

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19. Securities Measured at Fair Value Through Profit or Loss

	2015 HK\$'000	2014 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	100,188	100,578
– listed outside Hong Kong, at fair value	146,392	167,803
– unlisted, at quoted market price	28,770	42,867
	<u>275,350</u>	<u>311,248</u>
Equity securities at fair value:		
– listed in Hong Kong	442,212	367,314
– listed outside Hong Kong	490,233	378,319
	<u>932,445</u>	<u>745,633</u>
Investment funds:		
– unlisted, at quoted price	645,901	579,730
	<u>645,901</u>	<u>579,730</u>
Total	<u><u>1,853,696</u></u>	<u><u>1,636,611</u></u>

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:

	2015 HK\$'000	2014 HK\$'000
Public sector entities	23,610	20,108
Banks and other financial institutions	420,159	387,450
Corporate entities	1,409,927	1,229,053
	<u>1,853,696</u>	<u>1,636,611</u>

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

As at 31st December, 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 (2014: HK\$150,000,000) (note 29).

31st December, 2015

20. Insurance Receivables

	2015 HK\$'000	2014 HK\$'000
Amounts due in respect of:		
Direct underwriting	99,914	101,386
Reinsurance accepted	101,708	107,541
	201,622	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.

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:

	2015 HK\$'000	2014 HK\$'000
Three months or less	189,021	200,134
Six months or less but over three months	14,582	10,769
One year or less but over six months	22	261
Over one year	762	529
	204,387	211,693
Less: Impairment allowances	(2,765)	(2,766)
	201,622	208,927

Notes to Financial Statements

31st December, 2015

20. Insurance Receivables (cont'd)

The movements in the provision for impairment of insurance receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1st January	2,766	2,769
Write-back of impairment (<i>note 6</i>)	–	(3)
Write-off	(1)	–
At 31st December	2,765	2,766

Included in the above provision for impairment of insurance receivables at 31st December, 2015 was a provision for an individually impaired insurance receivable of HK\$488,000 (2014: HK\$488,000) with a gross carrying amount of HK\$488,000 (2014: HK\$488,000). The individually impaired insurance receivable related to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over the balance.

The aged analysis of the insurance receivables that are not impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Not past due	189,021	200,134
Less than one month past due	12,477	8,661
Over one month past due	124	132
	201,622	208,927

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no material provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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21. Reinsurance Assets

	2015 HK\$'000	2014 HK\$'000
Reinsurers' share of insurance contracts liabilities (note 25)	567,198	554,315

22. Cash and Cash Equivalents and Pledged Deposits

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	149,641	219,650
Time deposits with original maturity of over three months	438,848	550,887
Time deposits with original maturity of less than three months	1,574,379	1,402,340
	2,162,868	2,172,877
Pledged deposits	148,236	131,730
	2,311,104	2,304,607

The pledged deposits are pledged in favour of Autoridade Monetaria e Cambial de Macau as security for the outstanding claims provision and unearned premiums reserve of a subsidiary operating in Macau as required under the applicable laws of Macau.

Cash and cash equivalents included cash at banks and short term time deposits. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Time deposits with original maturity of more than three months when acquired earn interest at the respective time deposit rates with terms between three months and twelve months. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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22. Cash and Cash Equivalents and Pledged Deposits (cont'd)

The maturity profile of the cash and bank balances, time deposits and pledged deposits as at the end of the reporting period was as follows:

	2015 HK\$'000	2014 HK\$'000
With a residual maturity of:		
Three months or less	1,944,561	1,814,148
Over three months but less than one year	366,543	490,459
	<u>2,311,104</u>	<u>2,304,607</u>

23. Share Capital

	2015 HK\$'000	2014 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
1,019,200,000 (2014: 1,019,200,000) ordinary shares of HK\$1 each	<u>1,019,200</u>	<u>1,019,200</u>

24. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

In accordance with the Macau Commercial Codes, a branch (the "Branch") of Asia Insurance Company, Limited, a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund, which was achieved in prior years. The statutory reserve may be utilised by the Branch for certain restricted purposes including offsetting against the accumulated losses, if any, arising under certain specified circumstances.

Contingency reserve ("CR") represents a reserve established in accordance with *Guidance Note on Reserving for Mortgage Guarantee Business* ("GN6") issued by the Office of the Commissioner of Insurance. In respect of mortgage guarantee business entered into before 1st January, 2011, an amount equals to 50% of the net earned premium income derived from mortgage guarantee business shall be assigned to the CR in each year and maintained for a period of seven years. In respect of mortgage guarantee business entered into on or after 1st January, 2011, an amount equals to 50% of the net earned premium income derived from mortgage guarantee business, except for direct non-standard mortgage guarantee business of which the amount is equal to 75% of the net earned premium, shall be assigned to the CR in each year and maintained for a period of ten years. In accordance with GN6, withdrawals may be made where the claims incurred in any year exceed 35% of the net earned premium income in that year, and any such withdrawals shall only be made on a first-in-first-out basis and recognised directly in equity.

31st December, 2015

24. Reserves (cont'd)

At the end of the seventh year for mortgage guarantee business entered into before 1st January, 2011, or the tenth year for mortgage guarantee business entered into on or after 1st January, 2011, the amount assigned to the CR in respect of a year may, to the extent that it has not already been depleted by prior withdrawals, be released. Changes in CR are recognised directly in equity.

No withdrawal was made to the CR during the year ended 31st December, 2015 (2014: Nil).

25. Insurance Contracts Liabilities

	Notes	Insurance contracts liabilities HK\$'000	2015 Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	2014 Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Life insurance contracts	(a)	50,808	–	50,808	46,677	–	46,677
General insurance contracts	(b)	2,404,940	(567,198)	1,837,742	2,344,715	(554,315)	1,790,400
Total insurance contracts liabilities		<u>2,455,748</u>	<u>(567,198)</u>	<u>1,888,550</u>	<u>2,391,392</u>	<u>(554,315)</u>	<u>1,837,077</u>
			(note 21)			(note 21)	

(a) Life insurance contracts liabilities are analysed as follows:

	Notes	Insurance contracts liabilities HK\$'000	2015 Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	2014 Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Life reserve	(1)	45,823	–	45,823	44,619	–	44,619
Provision for claims	(2)	4,985	–	4,985	2,058	–	2,058
		<u>50,808</u>	<u>–</u>	<u>50,808</u>	<u>46,677</u>	<u>–</u>	<u>46,677</u>

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31st December, 2015

25. Insurance Contracts Liabilities (cont'd)

(a) Life insurance contracts liabilities are analysed as follows: (cont'd)

(1) Life reserve is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
At 1st January	44,619	39,888
Increase during the year	1,204	4,731
At 31st December	45,823	44,619

(2) The provision for claims of life insurance contracts is analysed as follows:

	2015 Insurance contracts liabilities HK\$'000	2015 Reinsurers' share of liabilities HK\$'000	2015 Net HK\$'000	2014 Insurance contracts liabilities HK\$'000	2014 Reinsurers' share of liabilities HK\$'000	2014 Net HK\$'000
At 1st January	2,058	–	2,058	516	–	516
Claims incurred during the year	14,324	(4,822)	9,502	9,324	(3,192)	6,132
Claims paid during the year	(11,397)	4,822	(6,575)	(7,782)	3,192	(4,590)
At 31st December	4,985	–	4,985	2,058	–	2,058

(b) General insurance contracts liabilities are analysed as follows:

	Notes	2015 Insurance contracts liabilities HK\$'000	2015 Reinsurers' share of liabilities HK\$'000	2015 Net HK\$'000	2014 Insurance contracts liabilities HK\$'000	2014 Reinsurers' share of liabilities HK\$'000	2014 Net HK\$'000
Provision for claims reported by policyholders		784,550	(223,042)	561,508	765,854	(186,789)	579,065
Provision for claims incurred but not reported ("IBNR")		892,602	(116,600)	776,002	772,402	(118,800)	653,602
Total claims reported and IBNR	(1)	1,677,152	(339,642)	1,337,510	1,538,256	(305,589)	1,232,667
Provision for unearned premiums	(2)	727,788	(227,556)	500,232	806,459	(248,726)	557,733
Total general insurance contract liabilities		2,404,940	(567,198)	1,837,742	2,344,715	(554,315)	1,790,400

31st December, 2015

25. Insurance Contracts Liabilities (cont'd)**(b)** General insurance contracts liabilities are analysed as follows: (cont'd)

(1) The provision for claims reported by policyholders and IBNR is analysed as follows:

	2015			2014		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	1,538,256	(305,589)	1,232,667	1,365,585	(326,135)	1,039,450
Claims incurred during the year	597,364	(130,828)	466,536	671,681	(124,614)	547,067
Claims paid during the year	(458,468)	96,775	(361,693)	(499,010)	145,160	(353,850)
At 31st December	<u>1,677,152</u>	<u>(339,642)</u>	<u>1,337,510</u>	<u>1,538,256</u>	<u>(305,589)</u>	<u>1,232,667</u>

(2) The provision for unearned premiums is analysed as follows:

	2015			2014		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	806,459	(248,726)	557,733	845,833	(262,862)	582,971
Premiums written during the year	1,146,647	(333,931)	812,716	1,257,555	(360,817)	896,738
Premiums earned during the year	(1,225,318)	355,101	(870,217)	(1,296,929)	374,953	(921,976)
At 31st December	<u>727,788</u>	<u>(227,556)</u>	<u>500,232</u>	<u>806,459</u>	<u>(248,726)</u>	<u>557,733</u>

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26. Net Premiums

	Notes	2015 HK\$'000	2014 HK\$'000
(a) Gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		834,072	878,937
Reinsurance accepted		312,575	378,618
Total gross general insurance premiums	25(b)(2)	1,146,647	1,257,555
Gross life insurance premiums		26,863	22,070
Change in gross unearned premiums		78,671	39,374
Change in life reserve	25(a)(1)	(1,204)	(4,731)
Total gross premiums		1,250,977	1,314,268
(b) Reinsurers' share of gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		(256,347)	(267,429)
Reinsurance accepted		(77,584)	(93,388)
Total gross general insurance premiums	25(b)(2)	(333,931)	(360,817)
Gross life insurance premiums		(10,831)	(9,139)
Change in unearned premiums		(21,170)	(14,136)
Total reinsurers' share of gross premiums		(365,932)	(384,092)

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27. Net Claims Incurred

	Notes	2015 HK\$'000	2014 HK\$'000
(a) Gross claims paid			
Life insurance contracts claims paid	25(a)(2)	(11,397)	(7,782)
General insurance contracts claims paid	25(b)(1)	(458,468)	(499,010)
Total gross claims paid		(469,865)	(506,792)
(b) Reinsurers' share of gross claims paid			
Life insurance contracts claims paid	25(a)(2)	4,822	3,192
General insurance contracts claims paid	25(b)(1)	96,775	145,160
Total reinsurers' share of gross claims paid		101,597	148,352
(c) Gross change in outstanding claims			
Change in life insurance outstanding claims		(2,927)	(1,542)
Change in general insurance outstanding claims		(138,896)	(172,671)
Total gross change in outstanding claims		(141,823)	(174,213)
(d) Reinsurers' share of gross change in outstanding claims			
General insurance outstanding claims		34,053	(20,546)

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28. Other Liabilities

	2015 HK\$'000	2014 HK\$'000
Accruals and other payables	275,077	244,713

The Group's other liabilities were current in nature as at 31st December, 2015 and 2014.

29. Interest-Bearing Bank Borrowing

	2015			2014		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loan – secured	HIBOR+1.25	2016	150,000	HIBOR+1.15	2015	150,000

The Group's bank loan is denominated in Hong Kong dollars and 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 (2014: HK\$150,000,000) (notes 17 and 19).

30. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of buildings HK\$'000	Total HK\$'000
At 1st January, 2014, 31st December, 2014 and 1st January, 2015	442	9,834	10,276
Deferred tax credited to statement of profit or loss during the year (note 9)	(12)	–	(12)
Deferred tax charged to other comprehensive income during the year	–	1,975	1,975
Gross deferred tax liabilities at 31st December, 2015	430	11,809	12,239

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30. Deferred Tax (cont'd)**Deferred tax assets**

	Losses available for offsetting against future taxable profits HK\$'000
At 1st January, 2014	7,541
Deferred tax charged to the statement of profit or loss during the year (<i>note 9</i>)	(1,355)
At 31st December, 2014 and 1st January, 2015	6,186
Deferred tax charged to the statement of profit or loss during the year (<i>note 9</i>)	(3,843)
Gross deferred tax assets at 31st December, 2015	2,343

For presentation purposes, deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 HK\$'000	2014 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,913	5,756
Net deferred tax liabilities recognised in the consolidated statement of financial position	(11,809)	(9,846)

The Group has tax losses arising in Hong Kong of HK\$251,635,000 (2014: HK\$217,162,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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31. Commitments

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

	2015 HK\$'000	2014 HK\$'000
Contracted, but not provided for:		
Acquisition of computer software	–	900

In addition, the Group's share of certain of its joint ventures' own capital commitment, which are not included in the above, is as follows:

	2015 HK\$'000	2014 HK\$'000
Contracted, but not provided for	7,769	–

32. Related Party Transactions

(a)

	2015		2014	
	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	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	–	52	–	56
Interbank activities:				
Deposits placed	–	737,069	–	1,141,089
Interest income	–	8,215	–	7,102
Premium income:				
Gross premiums written	199	4,278	195	3,305
Commission expense, net	–	3,291	–	5,760

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32. Related Party Transactions (cont'd)

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

	2015 HK\$'000	2014 HK\$'000
Loans and advances granted:		
Aggregate balance as at the end of the reporting period	33,335	8,669
Interest income	382	304
Loan and advance received:		
Aggregate balance as at the end of the reporting period	23,451	25,761
Interest expenses	1,081	828
Reinsurance premium ceded	8	6

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

	2015 HK\$'000	2014 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	168,390	168,390
Commission expense paid	14,958	21,868

- (d) Details of the Group's advances to its joint ventures and associates as at the end of the reporting period are included in notes 14 and 15 to the financial statements, respectively.
- (e) Details of compensation for key management personnel, who are the directors of the Company, and post-employment benefits of the Group, are included in notes 7 and 8 to the financial statements, respectively.

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33. Insurance Contracts Liabilities and Reinsurance Assets – Terms, Assumptions and Sensitivities

General insurance contracts

(1) Terms and conditions

The major classes of general insurance written by the Group include property damage, ships, goods in transit, pecuniary loss, accident and health, general liability, employees' compensation and motor insurances. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, the most significant risks arise from natural disasters. For longer tail claims that take some years to settle, there is also inflation risk. For accident and health contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, by type of risk insured and by industry.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined regularly as part of an ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter Ferguson method calculated by an external actuary. In certain cases, where there is a lack of reliable historical data to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide the best estimate of the most likely or expected outcome.

(2) Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

33. Insurance Contracts Liabilities and Reinsurance Assets – Terms, Assumptions and Sensitivities (cont'd)

General insurance contracts (cont'd)

(3) Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions, e.g., legislative change and uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of the delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision is not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

(4) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net basis.

The tables show the estimates of cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at the end of each reporting period, together with cumulative claims as at 31st December, 2015.

Gross general insurance claims

	2006 and before HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	Total HK\$'000
Accident year	2,016,495	382,549	403,169	355,504	408,407	549,509	587,258	688,871	681,583	638,217	
One year later	1,978,075	388,776	390,049	355,887	431,873	655,470	615,036	666,854	636,204	-	
Two years later	1,902,204	383,015	412,656	373,022	475,282	721,217	622,608	669,691	-	-	
Three years later	1,950,988	382,481	421,836	348,747	482,670	728,873	627,162	-	-	-	
Four years later	1,958,734	378,447	414,587	343,134	484,380	745,399	-	-	-	-	
Five years later	1,962,452	379,036	394,183	336,706	482,058	-	-	-	-	-	
Six years later	1,934,889	382,718	396,222	325,240	-	-	-	-	-	-	
Seven years later	1,928,134	378,090	391,412	-	-	-	-	-	-	-	
Eight years later	1,919,763	378,276	-	-	-	-	-	-	-	-	
Nine years later	1,920,949	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative gross claims	1,920,949	378,276	391,412	325,240	482,058	745,399	627,162	669,691	636,204	638,217	6,814,608
Cumulative gross payments to date	(1,897,662)	(360,684)	(375,167)	(305,528)	(424,099)	(591,848)	(431,622)	(377,098)	(253,115)	(120,633)	(5,137,456)
Total gross general insurance outstanding claims provision per the consolidated statement of financial position	23,287	17,592	16,245	19,712	57,959	153,551	195,540	292,593	383,089	517,584	1,677,152

(Note 25(b))

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33. Insurance Contracts Liabilities and Reinsurance Assets – Terms, Assumptions and Sensitivities (cont'd)

General insurance contracts (cont'd)

(4) Loss development triangle (cont'd)

Net general insurance claims

	2006 and before	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accident year	1,129,014	243,904	311,628	302,613	331,523	451,474	453,795	548,608	558,328	498,393	
One year later	1,305,540	245,053	289,249	285,137	344,740	530,070	484,725	538,786	542,235	–	
Two years later	1,347,047	248,861	297,333	279,614	376,135	567,032	482,317	532,089	–	–	
Three years later	1,362,030	244,492	297,031	259,463	362,799	574,023	483,368	–	–	–	
Four years later	1,358,613	238,116	288,384	254,038	361,891	579,055	–	–	–	–	
Five years later	1,353,362	238,741	271,526	249,595	360,396	–	–	–	–	–	
Six years later	1,334,118	245,205	268,164	242,501	–	–	–	–	–	–	
Seven years later	1,323,105	242,595	263,878	–	–	–	–	–	–	–	
Eight years later	1,315,392	242,477	–	–	–	–	–	–	–	–	
Nine years later	1,315,984	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative net claims	1,315,984	242,477	263,878	242,501	360,396	579,055	483,368	532,089	542,235	498,393	5,060,376
Cumulative net payments to date	(1,295,711)	(227,475)	(249,204)	(224,581)	(308,252)	(446,532)	(318,886)	(287,526)	(199,231)	(165,468)	(3,722,866)
Total net general insurance outstanding claims provision per the consolidated statement of financial position	20,273	15,002	14,674	17,920	52,144	132,523	164,482	244,563	343,004	332,925	1,337,510

(Note 25(b))

34. Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, loans to joint venture, an amount due from an associate, financial assets included in loans and advance and other assets, insurance receivables, insurance payables, amounts due to a joint venture and associates, other liabilities and interest-bearing bank borrowing approximate to their carrying amounts.

Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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34. Fair Value Hierarchy of Financial Instruments (cont'd)

The following tables illustrate the fair value measurement hierarchy of the Group's 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 31st December, 2015			
Available-for-sale securities:			
Equity investments	806,893	1,027,015	1,833,908
Securities measured at fair value through profit or loss	1,010,010	843,686	1,853,696
	<u>1,816,903</u>	<u>1,870,701</u>	<u>3,687,604</u>

	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, 2014			
Available-for-sale securities:			
Equity investments	1,056,919	753,922	1,810,841
Securities measured at fair value through profit or loss	889,942	746,669	1,636,611
	<u>1,946,861</u>	<u>1,500,591</u>	<u>3,447,452</u>

As at 31st December, 2015 and 2014, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the years ended 31st December, 2015 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

During the years ended 31st December, 2015 and 2014, there were no transfers of fair value measurements into or out of Level 3 for both financial assets and financial liabilities.

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34. Fair Value Hierarchy of Financial Instruments (cont'd)

Assets for which fair values are disclosed:

As at 31st December, 2015	Fair value measurement using		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Total HK\$'000
Held-to-maturity securities	414,091	173,795	587,886

As at 31st December, 2014	Fair value measurement using		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Total HK\$'000
Held-to-maturity securities	424,645	129,579	554,224

35. 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.

35. Financial Risk Management Objectives and Policies (cont'd)

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, loans to joint ventures, and an amount due from an associate, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans to joint ventures, an amount due from an associate, held-to-maturity securities, available-for-sale securities, loans and advances and other assets, and insurance receivables are disclosed in notes 14, 15, 16, 17, 18 and 20 to the financial statements.

(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.

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35. Financial Risk Management Objectives and Policies (cont'd)

(3) Liquidity risk management (cont'd)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2015			Total HK\$'000
	On demand and less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Provision for claims reported by policyholders	173,698	615,837	–	789,535
IBNR	196,372	696,230	–	892,602
Insurance payables	154,323	–	–	154,323
Due to a joint venture	24,532	–	–	24,532
Due to associates	4,222	–	–	4,222
Other liabilities	275,077	–	–	275,077
Interest-bearing bank borrowing	150,209	–	–	150,209
	<u>978,433</u>	<u>1,312,067</u>	<u>–</u>	<u>2,290,500</u>

	2014			Total HK\$'000
	On demand and less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Provision for claims reported by policyholders	215,015	552,897	–	767,912
IBNR	216,273	556,129	–	772,402
Insurance payables	138,144	–	–	138,144
Due to a joint venture	26,589	–	–	26,589
Due to associates	4,222	–	–	4,222
Other liabilities	244,713	–	–	244,713
Interest-bearing bank borrowing	150,195	–	–	150,195
	<u>995,151</u>	<u>1,109,026</u>	<u>–</u>	<u>2,104,177</u>

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35. Financial Risk Management Objectives and Policies (cont'd)**(3) Liquidity risk management (cont'd)**

The tables below summarise the expected recovery or settlement of assets of the Group.

31st December, 2015	Current* HK\$'000	Non-current HK\$'000	Total HK\$'000
Property, plant and equipment	–	324,262	324,262
Investment properties	–	23,100	23,100
Interests in joint ventures	–	257,719	257,719
Loans to joint ventures	30,334	3,001	33,335
Interests in associates	–	314,140	314,140
Due from an associate	–	168,390	168,390
Deferred tax assets	–	1,913	1,913
Held-to-maturity securities	19,158	568,728	587,886
Available-for-sale securities	–	3,426,715	3,426,715
Pledged deposits	148,236	–	148,236
Loans and advances and other assets	75,788	17,154	92,942
Securities measured at fair value through profit or loss	1,853,696	–	1,853,696
Insurance receivables	186,672	14,950	201,622
Reinsurance assets	567,198	–	567,198
Cash and cash equivalents	2,162,868	–	2,162,868
Total assets	5,043,950	5,120,072	10,164,022

31st December, 2014	Current* HK\$'000	Non-current HK\$'000	Total HK\$'000
Property, plant and equipment	–	337,592	337,592
Investment properties	–	9,600	9,600
Interests in joint ventures	–	254,438	254,438
Loans to joint ventures	2,834	5,835	8,669
Interests in associates	–	329,426	329,426
Due from an associate	–	168,390	168,390
Deferred tax assets	–	5,756	5,756
Held-to-maturity securities	29,640	524,584	554,224
Available-for-sale securities	–	3,400,372	3,400,372
Pledged deposits	131,730	–	131,730
Loans and advances and other assets	167,904	20,321	188,225
Securities measured at fair value through profit or loss	1,636,611	–	1,636,611
Insurance receivables	179,027	29,900	208,927
Reinsurance assets	554,315	–	554,315
Cash and cash equivalents	2,172,877	–	2,172,877
Total assets	4,874,938	5,086,214	9,961,152

* Expected recovery or settlement within 12 months from the end of the reporting period.

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35. Financial Risk Management Objectives and Policies (cont'd)

(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 table below summarises the required Relevant Amount across the Group.

	Life insurance HK\$'000	Non-life insurance HK\$'000
2015 required Relevant Amount	14,536	153,751
2014 required Relevant Amount	10,290	143,267

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 contracts 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 31st December, 2015, the Group had no net debt.

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35. Financial Risk Management Objectives and Policies (cont'd)**(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.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, for securities measured at fair value through profit or loss, interest-bearing bank deposits, loans and advances and other assets, loans to joint ventures, an amount due to a joint venture and interest-bearing bank borrowing showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		2015		2014	
		Increase/(decrease)		Increase/(decrease)	
		in profit	in equity*	in profit	in equity*
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Change in interest rate			
Securities measured at fair value through profit or loss	+50 basis points	(2,473)	–	(2,843)	–
	–50 basis points	2,473	–	2,843	–
Interest-bearing bank deposits	+50 basis points	11,302	–	11,143	–
	–50 basis points	(11,302)	–	(11,143)	–
Loans and advances and other assets	+50 basis points	95	–	112	–
	–50 basis points	(95)	–	(112)	–
Loans to joint ventures	+50 basis points	167	–	43	–
	–50 basis points	(167)	–	(43)	–
Due to a joint venture	+50 basis points	(117)	–	(129)	–
	–50 basis points	117	–	129	–
Interest-bearing bank borrowing	+50 basis points	(750)	–	(750)	–
	–50 basis points	750	–	750	–

* Excluding retained profits

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35. Financial Risk Management Objectives and Policies (cont'd)

(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 following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of Thai Baht, Japanese Yen and Renminbi, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the available-for-sale securities).

	Change in exchange rate %	Decrease in profit before tax HK\$'000	Decrease in equity* HK\$'000
2015			
If Thai Baht weakens against Hong Kong dollar	-5%	(10,692)	(82,766)
If Japanese Yen weakens against Hong Kong dollar	-8%	(2,088)	-
If Renminbi weakens against Hong Kong dollar	-7%	(37,549)	(7)
2014			
If Thai Baht weakens against Hong Kong dollar	-5%	(8,897)	(81,476)
If Japanese Yen weakens against Hong Kong dollar	-8%	(1,403)	-
If Renminbi weakens against Hong Kong dollar	-7%	(48,203)	(7)

* Excluding retained profits

35. Financial Risk Management Objectives and Policies (cont'd)

(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.

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31st December, 2015

35. Financial Risk Management Objectives and Policies (cont'd)

(7) Insurance risk management (cont'd)

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.

The Group uses its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

	2015			2014		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Employees' compensation	792,342	(92,924)	699,418	729,544	(117,289)	612,255
Property damage	553,968	(205,835)	348,133	533,060	(173,953)	359,107
General liability	481,876	(171,651)	310,225	509,568	(177,989)	331,579
Motor vehicle	318,974	(39,822)	279,152	306,336	(34,001)	272,335
Others	257,780	(56,966)	200,814	266,207	(51,083)	215,124
Total general insurance	<u>2,404,940</u>	<u>(567,198)</u>	<u>1,837,742</u>	<u>2,344,715</u>	<u>(554,315)</u>	<u>1,790,400</u>

As at 31st December, 2015, over 90% (2014: 90%) of the general insurance contracts liabilities were related to the business written in Hong Kong, Macau and Mainland China.

(8) Operational risk management

Operational risk is the risk of financial loss resulting from procedural errors, system failures, fraud 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.

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35. Financial Risk Management Objectives and Policies (cont'd)**(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 (note 19) and available-for-sale securities (note 17) as at 31st December, 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 following table demonstrates the sensitivity to every change of 15%, 10%, 5% and 10% in the fair values of the securities listed in Hong Kong, the United States, Thailand and all other areas, respectively, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, the impact for the available-for-sale securities is deemed to be on the available-for-sale investment reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

	Change in sensitivity %	Carrying amount of securities HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2015				
Equity investments in:				
Hong Kong				
– Available-for-sale securities	+15%	178,596	–	26,789
	–15%	178,596	–	(26,789)
– Listed securities measured at fair value through profit or loss	+15%	442,212	66,332	–
	–15%	442,212	(66,332)	–
United States				
– Listed securities measured at fair value through profit or loss	+10%	260,501	26,050	–
	–10%	260,501	(26,050)	–
Thailand				
– Available-for-sale securities	+5%	1,655,312	–	82,766
	–5%	1,655,312	–	(82,766)
– Listed securities measured at fair value through profit or loss	+5%	213,596	10,680	–
	–5%	213,596	(10,680)	–
All other areas				
– Listed securities measured at fair value through profit or loss	+10%	16,136	1,614	–
	–10%	16,136	(1,614)	–

* Excluding retained profits

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35. Financial Risk Management Objectives and Policies (cont'd)

(9) Equity price risk management (cont'd)

	Change in sensitivity %	Carrying amount of securities <i>HK\$'000</i>	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2014				
Equity investments in:				
Hong Kong				
– Available-for-sale securities	+15%	181,320	–	27,198
	–15%	181,320	–	(27,198)
– Listed securities measured at fair value through profit or loss	+15%	367,314	55,097	–
	–15%	367,314	(55,097)	–
United States				
– Listed securities measured at fair value through profit or loss	+10%	195,620	19,562	–
	–10%	195,620	(19,562)	–
Thailand				
– Available-for-sale securities	+5%	1,629,521	–	81,476
	–5%	1,629,521	–	(81,476)
– Listed securities measured at fair value through profit or loss	+5%	169,694	8,485	–
	–5%	169,694	(8,485)	–
All other areas				
– Listed securities measured at fair value through profit or loss	+10%	13,005	1,301	–
	–10%	13,005	(1,301)	–

* Excluding retained profits

31st December, 2015

36. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
ASSETS		
Property, plant and equipment	–	–
Interests in subsidiaries	1,741,457	1,741,447
Due from subsidiaries	1,221,461	1,085,585
Interest in a joint venture	–	–
Available-for-sale securities	1,524,085	1,524,085
Loans and advances and other assets	9,493	9,949
Cash and cash equivalents	270,355	276,459
Total assets	4,766,851	4,637,525
EQUITY AND LIABILITIES		
Equity		
Issued capital	1,019,200	1,019,200
Reserves (<i>note</i>)	3,620,569	3,417,473
Proposed final dividend	10,192	50,960
Total equity	4,649,961	4,487,633
Liabilities		
Other liabilities	7,383	8,171
Due to subsidiaries	109,507	139,517
Tax payable	–	2,204
Total liabilities	116,890	149,892
Total equity and liabilities	4,766,851	4,637,525

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36. Statement of Financial Position of the Company (cont'd)

Note:

A summary of the Company's reserves is as follow:

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2014	560,531	60,060	38,821	2,693,943	3,353,355
Profit for the year and total comprehensive income for the year	–	–	–	145,654	145,654
Interim 2014 dividend	–	–	–	(30,576)	(30,576)
Proposed final 2014 dividend	–	–	–	(50,960)	(50,960)
At 31st December, 2014 and at 1st January, 2015	560,531	60,060	38,821	2,758,061	3,417,473
Profit for the year and total comprehensive income for the year	–	–	–	249,979	249,979
Interim 2015 dividend	–	–	–	(36,691)	(36,691)
Proposed final 2015 dividend	–	–	–	(10,192)	(10,192)
At 31st December, 2015	560,531	60,060	38,821	2,961,157	3,620,569

31st December, 2015

37. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st December, 2015 are as follows:

Name	Place of incorporation and operation	Percentage of equity attributable to the Company		Issued share capital	Principal activities
		Direct	Indirect		
Asia Insurance Company, Limited	Hong Kong	100	–	HK\$2,000,000,000	Insurance
Asia Investment Services Limited	British Virgin Islands	100	–	HK\$10,000,000	Investment holding
AFH Investments (BVI) Limited	British Virgin Islands	100	–	US\$1,000,000	Investment holding
Asia Insurance (Finance) Limited	Hong Kong	–	100	HK\$25,000,000	Mortgage loan financing
Chamberlain Investment Limited	Republic of Liberia	–	100	US\$100	Investment holding
Progressive Investment Company Limited	Hong Kong	–	100	HK\$10,000,000	Property investment
Bedales Investment Limited	Republic of Liberia	–	100	Ordinary US\$100 Preference US\$3,000,000	Investment holding
Asia Investment Services (HK) Limited	Hong Kong	–	100	HK\$10,000	Investment holding
Asia Insurance (Investments) Limited	Hong Kong	–	69.5	HK\$78,000,000	Investment holding
Asia Financial (Nominees) Limited	Hong Kong	–	100	HK\$2	Provision of nominee services
AFH Investment Company Limited	Hong Kong	–	100	HK\$1	Investment holding
AFH Realty Investment Company Limited	Hong Kong	–	100	HK\$1	Investment holding
AFH International Company Limited	Hong Kong	–	100	HK\$1	Investment holding

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37. Particulars of Principal Subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries as at 31st December, 2015 are as follows: (cont'd)

Name	Place of incorporation and operation	Percentage of equity attributable to the Company		Issued share capital	Principal activities
		Direct	Indirect		
AFH Health Care Services Limited	Hong Kong	–	100	HK\$1	Provision of health care services
Top Hover Limited	British Virgin Islands	–	100	US\$1	Investment holding
Ultimate Prime Limited	Hong Kong	–	100	HK\$19,500,000	Provision of health care services and restaurant operation
AFH Health Care Investment Limited	Hong Kong	100	–	HK\$25,700,000	Investment holding
Wellness Realty Limited	Hong Kong	100	–	HK\$10,000	Property investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The principal place of operations of the principal subsidiaries is mainly Hong Kong.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23rd March, 2016.