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

Incorporated in Bermuda with limited liability

(Stock Code: 662)

INTERIM REPORT

For the six months ended 30th June, 2012

Contents

Corporate Information

Board of Directors

Executive Directors
Robin Yau Hing Chan *(Chairman)*
Bernard Charnwut Chan *(President)*
Stephen Tan
Wong Kok Ho

Non-Executive Directors
Lau Ki Chit
Choedchu Sophonpanich
Ng Song Hin
Mamoru Miyazaki
Chan Yeow Toh

Independent Non-Executive Directors
Anna Suk Han Chow
Andrew Chiu Cheung Ma
Kenneth Chi Lam Siao
Philip Yu Hong Wong

Audit Committee

Andrew Chiu Cheung Ma *(Chairman)*
Anna Suk Han Chow
Kenneth Chi Lam Siao

Remuneration Committee

Anna Suk Han Chow
Andrew Chiu Cheung Ma
Bernard Charnwut Chan

Nomination Committee

Anna Suk Han Chow *(Chairman)*
Andrew Chiu Cheung Ma
Bernard Charnwut Chan

Compliance Committee

Anna Suk Han Chow *(Chairman)*
Andrew Chiu Cheung Ma
Kenneth Chi Lam Siao
Bernard Charnwut Chan
Stephen Tan

Company Secretary

Lau Chi Tak

Registered Office

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Church Street
Hamilton HM 11
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Branch Registrar and Transfer Office

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Hopewell Centre
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Wan Chai
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22nd Floor CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Share Listing

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

Asia Financial Holdings Limited ("Asia Financial") achieved net profit attributable to shareholders of HK$249.9 million in the first half of 2012, a 164.9% increase over the same period in 2011. This healthy rise was largely due to realized and unrealized gains in the value of portfolio investments, the continued respectable underwriting performance and organic growth of insurance operations and satisfactory results by most of our joint-venture and associated companies. Aside from certain one-off costs incurred during the period, our ongoing expenses remained steady.

The second half of the year looks distinctly uncertain. However, looking further ahead, we remain confident in the prospects for the insurance, retirement and other individual and family services sectors in Asia represented by our longer-term direct investments, which form our strategic focus.

Economic Background

Asia showed resilience in the face of economic weakness in much of the western world during the first half of the year, with China reporting a 7.6% rise in GDP in the 2nd quarter of 2012, and Hong Kong's consumption and unemployment rates suggesting continued underlying strength. Capital inflows following quantitative easing in Western economies contributed to recovery in the markets. Regional trade and investment held up well, and these supported Asia Financial's operational performance and that of its joint ventures and associated companies. However, by the end of the period there were signs that the impact of the European and American situations was starting to affect the region's export performance, possibly leading to greater fiscal and monetary support in China and elsewhere.

Global markets generally experienced improvements during the period, peaking in the first quarter of 2012, with the Dow Jones index showing a six-month rise of 5.4%, and the Hang Seng index gaining 5.5%. The gains in the two indices were reflected in the higher market value of Asia Financial's equity portfolio investments. Continued low interest rates limited our interest income.

Management Approach and Future Prospects

Asia Financial's management maintains a conservative investment approach and sensible policies in such areas as cost control in the pursuit of long-term growth in shareholder value. We seek good quality investments and avoid unnecessary risk. The underlying quality of our trading portfolios and long-term direct investments at the end of the first half of 2012, following global financial and debt crises that may not yet be over, confirm the value of this approach.

The Company has in recent years increasingly focused its sights on acquiring holdings in specific business and geographic sectors with solid but very attractive development prospects. Accumulating and developing such holdings is the strategic priority; at the same time, we will select opportunities very carefully and therefore possibly infrequently. Year-on-year fluctuations in the nominal value of the portfolio investments are of relatively less importance. We are currently witnessing signs of a probably historic rebalancing and structural shift in the global economy, which point to the rise of China and other parts of Asia as major potential consuming economies. As an investment company with a focus on insurance, retirement and other individual and family services in the region, we continue to see major strategic opportunities for Asia Financial.

Robin Y.H. Chan
Chairman

Hong Kong, 21st August, 2012

Interim Results Highlights

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2012 as follows:

Profit attributable to equity holders of the Company:	HK$249.9m	+164.9%
Earnings per share:	HK24.5 cents	+163.4%
Interim dividend per share:	HK3.5 cents	+133.3%

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

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK3.5 cents (2011: HK1.5 cents) per ordinary share for the six months ended 30th June, 2012 payable on or about Monday, 8th October, 2012 to shareholders whose names appear on the Register of Members of the Company on Friday, 21st September, 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 19th September, 2012 to Friday, 21st September, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 18th September, 2012.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2012 and recommended it for the Board's approval.

Overview by Investment Segments

Insurance

Wholly owned Asia Insurance's profit attributable to shareholders rose by 115.1% in the first half of 2012 compared with the same period in 2011. Underwriting profit increased by 0.8%, which is acceptable given exposure to the flooding in Thailand in the second half of 2011. Turnover rose by a healthy 27.6%; this trend was broad-based, reflecting growth in the property market and the construction sector in both Hong Kong and Macau. These solid operating results reflect Asia Insurance's status as a leader in Hong Kong's general insurance market with a very sound reputation among clients.

Asia Insurance's investments, although weighted slightly more to bonds, performed in line with those of Asia Financial as a whole (see below). We took the opportunity to re-weight the portfolio further towards bonds during the period, which helped to increase interest income. Other income was affected by foreign exchange exposure. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments. Asia Insurance continues to keep costs under control. The agency network size remained stable despite growth in turnover, while increases in staff numbers included expansion of specialist technical expertise, which is already contributing to business growth.

The outlook for Asia Insurance's core underwriting activities in Greater China and the rest of Asia looks generally positive for the second half of 2012 and beyond. Asia Insurance's exposure to losses arising from Typhoon Vicente in Hong Kong and the July flooding in Beijing is minor. In terms of investment performance, however, the uncertainty of the global and regional outlook makes a forecast very difficult. Given the uncertainty surrounding the markets, we will maintain a prudent approach towards portfolio management. We will also continue to monitor potential opportunities arising from the Hong Kong government's plans to encourage a bigger role for personal health insurance coverage in the community.

Associated and joint venture companies in the insurance segment delivered generally satisfactory results. BC Reinsurance Limited, Professional Liability Underwriting Services Limited and the People's Insurance Company of China (Hong Kong) Limited achieved reasonable increases in profit and business turnover, while Hong Kong Life Insurance Limited performed less well. On the whole, all these companies look set to show healthy development in the future. 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. The company reported RMB42.7 billion in premium income for the first half of 2012, down 2.4% on the same period of 2011. All other business performance and risk control indicators showed positive and healthy figures. PICC Life's insurance liability reserves and solvency ratio were maintained at high levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 14.4% of our total assets.

Other Portfolio Investment

Year-on-year realized and unrealized valuation gains on trading investments rose significantly compared with the first half of 2011. These improved results largely reflected the rise in major markets during the period and our generally cautious approach, focusing on high-quality trading investments. Strong market performance in the first quarter of the year provided an opportunity to lock in some gains. Net interest income remained steady, in line with low rates.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments and derivative instruments are of investment grade or above. Ever since the extreme volatility of world markets in 2008-09, we have adopted a particularly prudent attitude towards management of our portfolio investments. In view of the ongoing uncertainty posed in particular by the indebtedness of major western economies, and the very real possibility of volatility in world markets as a result, our investment strategy will be flexible enough to cope with the market changes. Regardless of year-on-year fluctuations in market valuations, we will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

Overview by Investment Segments (continued)

Health Care

Our 3.7% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok remains one of our best-performing investments, with its valuation rising 61.6% for the first half of 2012. This is largely due to recognition in the market of Bumrungrad's success in attracting patients internationally through the delivery of high-quality medical services. This success looks likely to continue.

Bumrungrad International Limited ("BIL"), in which Asia Financial holds a 19.5% stake, is undergoing liquidation following the consolidation of its activities and the lack of suitable new investment opportunities. This has resulted in a return of capital to Asia Financial, including some exchange rate gain, which accounts for an increase in our share of profits from this source in the first half of 2012. We have also refrained from submitting a bid to the Hong Kong government to start a new hospital at Wong Chuk Hang on the south of Hong Kong Island, as in our view the conditions attached to the project seriously hindered its viability. Despite these developments, we continue to foresee very good prospects for the health care business in the region, owing to long-term demographic and policy trends, and we will remain alert to potential new opportunities in the sector.

Pension and Asset Management

The Group's holding in the jointly controlled Bank Consortium Holding Limited ("BCH") continued to produce an acceptable level of profit in the first half of 2012, owing to asset portfolio growth following the recovery of markets. 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. Starting 1st November, 2012, employees will have the right to transfer their personal contributions up to one time a year to other service providers. This will heighten competition in the market; we are confident that BCT's commitment to quality client service will give it an edge in retaining and indeed attracting funds.

Property Development

The Group's interests in real estate are focused on Shanghai and Suzhou and represent 5.3% of our total assets. The main project is a residential and commercial complex in Jiading in Shanghai, in which we have a 27.5% stake. Sales of Phase 2 of the project are proceeding well, with some 65% of units for sale now sold, yielding share of profits of HK$50.8 million booked in the first half of 2012. We expect the sales target for the full year will be met. To allow for possible changes in market conditions, disposal of remaining units will be kept flexible for the time being. This also applies to the development of Phase 3 and a smaller lot of land in the same district; approval to build on the latter has recently been approved.

The outlook for the China residential property market is a subject of considerable discussion. Government controls to moderate bank lending and speculative activity are likely to remain for the time being. We are confident that where financing is concerned, existing capital and cash flow will be sufficient for future projects. We are also confident that our projects contribute to a socially positive housing market, being aimed at middle-class end-users in a competitive local market. We will consider new possible opportunities in this sector.

Charges on Assets

As of 30th June, 2012, Asia Insurance charged assets with a carrying value of HK$108,078,000 (31st December, 2011: HK$102,658,000) in favour of the Hong Kong Mortgage Corporation Limited (the "HKMC") to secure the payments under the HKMC Mortgage Insurance Programme.

Contingent Liabilities

As at 30th June, 2012, there was an outstanding counter guarantee issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group") amounting to 5% of all the liabilities and expenses of RMB112.5 million (approximately HK$137.3 million) (31st December, 2011: RMB112.5 million, approximately HK$138.8 million) under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2012 was 254 (31st December, 2011: 263). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2012. The Group also offers various training and induction programmes to its employees.

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
REVENUE	3	**687,858**	538,376
Gross premiums		**687,858**	538,376
Reinsurers' share of gross premiums		**(208,830)**	(163,288)
Change in unearned premiums reserve		**(71,034)**	(31,914)
Change in life fund		**(2,958)**	(1,275)
Net insurance contracts premiums revenue		**405,036**	341,899
Gross claims paid		**(308,219)**	(196,991)
Reinsurers' share of gross claims paid		**69,784**	67,488
Gross change in outstanding claims		**(7,509)**	(50,467)
Reinsurers' share of gross change in outstanding claims		**6,939**	(7,008)
Net claims incurred		**(239,005)**	(186,978)
Commission income		**34,062**	27,560
Commission expense		**(126,621)**	(111,019)
Net commission expense		**(92,559)**	(83,459)
Management expenses for underwriting business		**(23,926)**	(22,656)
Underwriting profit		**49,546**	48,806
Dividend income		**39,492**	33,491
Realised gain/(loss) on investments		**23,243**	(8,425)
Unrealised gain/(loss) on investments		**93,397**	(14,778)
Interest income		**32,937**	30,791
Other income and gains, net		**(2,309)**	5,641
		236,306	95,526
Operating expenses		**(39,688)**	(37,980)
		196,618	57,546
Share of profits and losses of jointly-controlled entities		**15,363**	12,386
Share of profits and losses of associates		**60,399**	37,636
PROFIT BEFORE TAX	4	**272,380**	107,568

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For the six months ended 30th June, 2012

	Notes	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Income tax expense	5	**(19,818)**	(10,522)
PROFIT FOR THE PERIOD		**252,562**	97,046
Attributable to:			
Equity holders of the Company		**249,894**	94,331
Non-controlling interests		**2,668**	2,715
		252,562	97,046
INTERIM DIVIDEND	6	**35,672**	15,288
INTERIM DIVIDEND PER SHARE	6	**HK3.5 cents**	HK1.5 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic – For profit for the period		**HK24.5 cents**	HK9.3 cents
Diluted – For profit for the period		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2012

	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
PROFIT FOR THE PERIOD	**252,562**	97,046
OTHER COMPREHENSIVE INCOME		
Available-for-sale securities:		
Changes in fair value	**346,240**	20,935
Share of other comprehensive income of jointly-controlled entities:		
Changes in available-for-sale investment reserve	**252**	(118)
Changes in exchange reserve	**726**	2,737
Reclassification of exchange difference included in the condensed consolidated income statement for capital reduction of a jointly-controlled entity	**(5,211)**	(12,318)
	(4,233)	(9,699)
Share of other comprehensive income of associates:		
Changes in available-for-sale investment reserve	**7,709**	(5,048)
Changes in exchange reserve	**(2,722)**	4,944
	4,987	(104)
Exchange differences on translation of foreign operations	**349**	(199)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**347,343**	10,933
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**599,905**	107,979
ATTRIBUTABLE TO:		
Equity holders of the Company	**594,897**	106,815
Non-controlling interests	**5,008**	1,164
	599,905	107,979

Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2012

	Notes	30th June, 2012 HK$'000	31st December, 2011 HK$'000
ASSETS			
Property, plant and equipment		**151,815**	154,971
Investment property		**4,150**	4,150
Interests in jointly-controlled entities		**203,329**	245,020
Loans to jointly-controlled entities		**35,457**	37,600
Interests in associates		**225,460**	162,099
Due from an associate		**168,390**	164,763
Deferred tax assets		**17,955**	35,029
Held-to-maturity securities	8	**746,440**	776,816
Available-for-sale securities	9	**2,754,332**	2,262,256
Pledged deposits	13	**102,605**	92,605
Loans and advances and other assets	10	**198,309**	208,225
Securities measured at fair value through profit or loss	11	**1,790,515**	1,848,154
Insurance receivables	12	**211,098**	151,751
Reinsurance assets		**484,244**	426,625
Cash and cash equivalents	13	**1,081,560**	841,581
Total assets		**8,175,659**	7,411,645
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		**1,019,200**	1,019,200
Reserves		**4,917,234**	4,358,009
Proposed dividend		**35,672**	20,384
		5,972,106	5,397,593
Non-controlling interests		**19,457**	14,449
Total equity		**5,991,563**	5,412,042
Liabilities			
Insurance contract liabilities		**1,765,394**	1,633,212
Insurance payables		**163,861**	135,341
Due to associates		**4,222**	4,222
Other liabilities		**195,408**	168,451
Tax payable		**45,365**	48,531
Deferred tax liabilities		**9,846**	9,846
Total liabilities		**2,184,096**	1,999,603
Total equity and liabilities		**8,175,659**	7,411,645

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2012

	Attributable to equity holders of the Company													
	Issued capital HK$'000	Share premium account HK$'000	Contingency reserve HK$'000	Available-for-sale investment reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012	1,019,200	560,531*	26,882*	546,693*	46,071*	34,240*	2,427*	513,240*	38,821*	2,589,104*	20,384	5,397,593	14,449	5,412,042
Profit for the period	–	–	–	–	–	–	–	–	–	249,894	–	249,894	2,668	252,562
Other comprehensive income for the period:														
Changes in fair value of available-for-sale securities	–	–	–	346,240	–	–	–	–	–	–	–	346,240	–	346,240
Share of changes in available-for-sale investment reserve of jointly-controlled entities	–	–	–	252	–	–	–	–	–	–	–	252	–	252
Share of changes in available-for-sale investment reserve of associates	–	–	–	5,369	–	–	–	–	–	–	–	5,369	2,340	7,709
Share of changes in exchange reserve of a jointly-controlled entity	–	–	–	–	–	726	–	–	–	–	–	726	–	726
Reclassification of exchange difference included in the condensed consolidated income statement for capital reduction of a jointly-controlled entity	–	–	–	–	–	(5,211)	–	–	–	–	–	(5,211)	–	(5,211)
Share of changes in exchange reserve of an associate	–	–	–	–	–	(2,722)	–	–	–	–	–	(2,722)	–	(2,722)
Exchange differences on translation of foreign operations	–	–	–	–	–	349	–	–	–	–	–	349	–	349
Total comprehensive income/(expense) for the period	–	–	–	351,861	–	(6,858)	–	–	–	249,894	–	594,897	5,008	599,905
Final 2011 dividend declared	–	–	–	–	–	–	–	–	–	–	(20,384)	(20,384)	–	(20,384)
Proposed interim 2012 dividend	–	–	–	–	–	–	–	–	–	(35,672)	35,672	–	–	–
Transfer to contingency reserve	–	–	2,798	–	–	–	–	–	–	(2,798)	–	–	–	–
At 30th June, 2012	1,019,200	560,531*	29,680*	898,554*	46,071*	27,382*	2,427*	513,240*	38,821*	2,800,528*	35,672	5,972,106	19,457	5,991,563

* These reserve accounts comprise the consolidated reserves of HK$4,917,234,000 (31st December, 2011: HK$4,358,009,000) in the unaudited condensed consolidated statement of financial position.

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For the six months ended 30th June, 2012

	Attributable to equity holders of the Company													
	Issued capital HK$'000	Share premium account HK$'000	Contingency reserve HK$'000	Available-for-sale investment reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011	1,019,200	560,531	21,856	482,476	46,071	28,095	2,427	513,240	38,821	2,767,318	66,248	5,546,283	16,363	5,562,646
Profit for the period	–	–	–	–	–	–	–	–	–	94,331	–	94,331	2,715	97,046
Other comprehensive income for the period:														
Changes in fair value of available-for-sale securities	–	–	–	20,935	–	–	–	–	–	–	–	20,935	–	20,935
Share of changes in available-for-sale investment reserve of jointly-controlled entities	–	–	–	(118)	–	–	–	–	–	–	–	(118)	–	(118)
Share of changes in available-for-sale investment reserve of associates	–	–	–	(3,497)	–	–	–	–	–	–	–	(3,497)	(1,551)	(5,048)
Share of changes in exchange reserve of a jointly-controlled entity	–	–	–	–	–	2,737	–	–	–	–	–	2,737	–	2,737
Reclassification of exchange difference included in the condensed consolidated income statement for capital reduction of a jointly-controlled entity	–	–	–	–	–	(12,318)	–	–	–	–	–	(12,318)	–	(12,318)
Share of changes in exchange reserve of an associate	–	–	–	–	–	4,944	–	–	–	–	–	4,944	–	4,944
Exchange differences on translation of foreign operations	–	–	–	–	–	(199)	–	–	–	–	–	(199)	–	(199)
Total comprehensive income/(expense) for the period	–	–	–	17,320	–	(4,836)	–	–	–	94,331	–	106,815	1,164	107,979
Final 2010 dividend declared	–	–	–	–	–	–	–	–	–	–	(66,248)	(66,248)	–	(66,248)
Proposed interim 2011 dividend	–	–	–	–	–	–	–	–	–	(15,288)	15,288	–	–	–
Transfer to contingency reserve	–	–	2,253	–	–	–	–	–	–	(2,253)	–	–	–	–
At 30th June, 2011	1,019,200	560,531	24,109	499,796	46,071	23,259	2,427	513,240	38,821	2,844,108	15,288	5,586,850	17,527	5,604,377

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2012

	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Net cash flows from/(used in) operating activities	**191,806**	(255,774)
Net cash flows from/(used in) investing activities	**651**	(99,093)
Net cash flows used in financing activities	**(20,384)**	(66,248)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**172,073**	(421,115)
Cash and cash equivalents at beginning of period	**740,442**	1,242,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**912,515**	821,535
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**129,268**	204,019
Non-pledged time deposits with original maturity of over three months when acquired	**169,045**	123,015
Non-pledged time deposits with original maturity of less than three months when acquired	**783,247**	617,516
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	**1,081,560**	944,550
Less: Time deposits with original maturity of over three months when acquired	**(169,045)**	(123,015)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	**912,515**	821,535

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No.34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted are consistent with those adopted in the Company's financial statements for the year ended 31st December, 2011 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS"), which are effective for accounting period beginning on 1st January, 2012 and as disclosed below.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

HKFRS 1 Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation, whereby these entities can elect fair value as the deemed cost for assets and liabilities affected by severe hyperinflation in their first HKFRS financial statements. The amendment also removes the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions.

HKFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in Hong Kong (Standing Interpretations Committee) Interpretation ("HK(SIC)-Int") 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

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

2. Operating Segment Information

(a) Operating segments

The following tables present revenue and results for the Group's operating segments.

Group	**Insurance HK$'000**	**Corporate HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
For the six months ended 30th June, 2012				
Segment revenue:				
External customers	**687,858**	**–**	**–**	**687,858**
Other revenue, income, gains, net	**128,660**	**58,100**	**–**	**186,760**
Intersegment	**939**	**–**	**(939)**	**–**
Total	**817,457**	**58,100**	**(939)**	**874,618**
Segment results	**157,361**	**39,257**	**–**	**196,618**
Share of profits and losses of:				
Jointly-controlled entities	**2,964**	**12,399**	**–**	**15,363**
Associates	**9,558**	**50,841**	**–**	**60,399**
Profit before tax				**272,380**
Income tax expense	**(15,996)**	**(3,822)**	**–**	**(19,818)**
Profit for the period				**252,562**

Group	Insurance HK$'000	Corporate HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2011				
Segment revenue:				
External customers	538,376	–	–	538,376
Other revenue, income, gains, net	35,062	11,658	–	46,720
Intersegment	1,302	–	(1,302)	–
Total	574,740	11,658	(1,302)	585,096
Segment results	64,558	(7,012)	–	57,546
Share of profits and losses of:				
Jointly-controlled entities	6,959	5,427	–	12,386
Associates	9,686	27,950	–	37,636
Profit before tax				107,568
Income tax expense	(9,376)	(1,146)	–	(10,522)
Profit for the period				97,046

2. Operating Segment Information (continued)

(b) Geographical information

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

3. Revenue

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

4. Profit before Tax

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

	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Auditors' remuneration	**(1,203)**	(1,157)
Depreciation	**(4,735)**	(6,178)
Employee benefits expense (including directors' remuneration)	**(39,982)**	(38,936)
Minimum lease payments under operating leases in respect of land and buildings	**(468)**	(388)
Realised gain/(loss) on:		
– disposal of securities measured at fair value through profit or loss (held for trading), net	**21,379**	(7,985)
– disposal of available-for-sale securities	**47**	39
– redemption/call back of held-to-maturity securities	**1,817**	(479)
	23,243	(8,425)
Unrealised gain/(loss) on:		
– securities measured at fair value through profit or loss (held for trading), net	**77,055**	(14,778)
– securities measured at fair value through profit or loss (designated upon initial recognition)	**16,342**	–
	93,397	(14,778)
Gain/(loss) on disposal/write-off of items of property, plant and equipment	**35**	(1)
Impairment allowance on insurance receivables	**(9)**	–
Impairment of an interest in a jointly-controlled entity #	**–**	(12,318)
Reclassification of exchange difference included in the condensed consolidated income statement for capital reduction of a jointly-controlled entity #	**5,211**	12,318
Dividend income from:		
Listed investments	**36,536**	29,993
Unlisted investments	**2,956**	3,498
	39,492	33,491
Interest income	**32,937**	30,791

4. Profit before Tax (continued)

Impairment of an interest in a jointly-controlled entity and reclassification of exchange difference included in the condensed consolidated income statement for capital reduction of a jointly-controlled entity are included in "Share of profit and loss of jointly-controlled entities" on the face of the condensed consolidated income statement.

5. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the period	**294**	7,272
Current – Elsewhere		
Charge for the period	**2,450**	2,206
Underprovision in prior periods	**–**	120
Deferred	**17,074**	924
Total tax charge for the period	**19,818**	10,522

6. Dividend

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
Proposed interim dividend:		
HK3.5 cents (2011: HK1.5 cents) per ordinary share based on 1,019,200,000 (2011: 1,019,200,000) shares in issue	**35,672**	15,288

The Board has resolved to pay an interim dividend of HK3.5 cents per share (2011: HK1.5 cents), which will be paid in cash, for the six months ended 30th June, 2012 payable on or about 8th October, 2012 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 21st September, 2012.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK$249,894,000 (2011: HK$94,331,000) and 1,019,200,000 (2011: 1,019,200,000) ordinary shares in issue during the periods.

8. Held-to-maturity Securities

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Listed debt securities in Hong Kong, at amortised cost	**58,123**	36,306
Listed debt securities outside Hong Kong, at amortised cost	**556,743**	626,999
Unlisted debt securities, at amortised cost	**131,574**	113,511
Total held-to-maturity securities	**746,440**	776,816
Fair value of listed and unlisted held-to-maturity securities	**771,842**	791,950

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Public sector entities	**50,526**	50,519
Banks and other financial institutions	**523,568**	600,216
Corporate entities	**172,346**	126,081
	746,440	776,816

8. Held-to-maturity Securities (continued)

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
With a residual maturity of:		
Three months or less	**25,841**	15,601
One year or less but over three months	**116,920**	115,236
Five years or less but over one year	**476,495**	520,773
Over five years	**127,184**	125,206
	746,440	776,816

During the period, a cedant of the pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 30th June, 2012, listed debt securities of the Group amounting to HK$108,078,000 (31st December, 2011: HK$102,658,000) were pledged.

9. Available-for-sale Securities

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Listed equity in Hong Kong, at fair value	**147,641**	–
Listed equity outside Hong Kong, at fair value	**1,344,951**	1,004,184
	1,492,592	1,004,184
Unlisted equity, at cost	**1,268,732**	1,264,364
Less: Impairment	**(37,116)**	(37,116)
	1,231,616	1,227,248
Unlisted debt, at cost	**37,024**	37,724
Less: Impairment	**(6,900)**	(6,900)
	30,124	30,824
Unlisted available-for-sale securities	**1,261,740**	1,258,072
Total available-for-sale securities	**2,754,332**	2,262,256

9. Available-for-sale Securities (continued)

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Banks and other financial institutions	**2,154,908**	1,938,478
Corporate entities	**599,424**	323,778
	2,754,332	2,262,256

During the period, the change in fair value of the Group's available-for-sale listed investments credited in other comprehensive income amounted to HK$346,240,000 (30th June, 2011: HK$20,935,000).

10. Loans and Advances and Other Assets

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Loans and advances	**95,286**	96,377
Accrued interest and other assets	**103,023**	111,848
Gross loans and advances and other assets	**198,309**	208,225

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Repayable on demand	**–**	–
With a residual maturity of:		
Three months or less	**552**	544
One year or less but over three months	**1,666**	3,793
Five years or less but over one year	**82,092**	80,302
Over five years	**10,976**	11,738
	95,286	96,377

11. Securities Measured at Fair Value through Profit or Loss

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Debt securities:		
– listed in Hong Kong, at fair value	**59,127**	48,258
– listed outside Hong Kong, at fair value	**158,827**	125,665
– unlisted, at fair value	**146,152**	127,342
	364,106	301,265
Equity securities:		
– listed in Hong Kong, at fair value	**405,249**	625,221
– listed outside Hong Kong, at fair value	**218,086**	170,858
	623,335	796,079
Investment funds:		
– unlisted, at fair value	**676,256**	640,334
Prepaid derivative, at fair value	**126,818**	110,476
Total	**1,790,515**	1,848,154

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Public sector entities	**30,694**	35,410
Banks and other financial institutions	**314,589**	449,523
Corporate entities	**1,445,232**	1,363,221
	1,790,515	1,848,154

Securities measured at fair value through profit or loss at 30th June, 2012 and 31st December, 2011 were classified as held for trading except for prepaid derivative of HK$126,818,000 (31st December, 2011: HK$110,476,000) which is designated as at fair value through profit or loss.

12. Insurance Receivables

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Amounts due in respect of:		
Direct underwriting	**172,110**	113,398
Reinsurance accepted	**38,988**	38,353
	211,098	151,751

The Group grants credit terms of 3 months to 6 months. 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:

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Three months or less	**183,619**	125,141
Six months or less but over three months	**24,694**	26,976
One year or less but over six months	**4,562**	830
Over one year	**701**	1,273
	213,576	154,220
Less: Impairment allowances	**(2,478)**	(2,469)
	211,098	151,751

13. Cash and Cash Equivalents and Pledged Deposits

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Cash and bank balances	**129,268**	142,888
Time deposits with original maturity of over three months	**169,045**	101,139
Time deposits with original maturity of less than three months	**783,247**	597,554
	1,081,560	841,581
Pledged deposits	**102,605**	92,605
	1,184,165	934,186

14. Contingent Liabilities

As at 30th June, 2012, there was an outstanding counter guarantee issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group") amounting to 5% of all the liabilities and expenses of RMB112.5 million (approximately HK$137.3 million) (31st December, 2011: RMB112.5 million, approximately HK$138.8 million) under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

15. Commitments

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Contracted, but not provided for acquisition of computer software	**2,047**	2,305

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

16. Related Party Transactions

(a) Group

	30th June, 2012		31st December, 2011	
	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	**–**	**472**	–	471
Interbank activities:				
Deposits placed	**–**	**481,504**	–	326,055

	Six months ended 30th June, 2012		Six months ended 30th June, 2011	
	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
Interbank activities:				
Interest income	**–**	**2,679**	–	1,258
Premium income:				
Gross premiums written	**108**	**3,163**	135	2,655
Commission expense, net	**–**	**1,673**	–	222
Compensation:				
Salaries and short-term employee benefits	**5,576**	**–**	5,566	–
Pension scheme contributions	**233**	**–**	233	–

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

16. Related Party Transactions (continued)

(b) The Group had the following balances and transactions with certain of its jointly-controlled entities during the period:

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	**35,457**	37,600

	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Interest income received and receivables	**102**	102

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

	30th June, 2012 HK$'000	31st December, 2011 HK$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	**168,390**	164,763

	Six months ended 30th June, 2012 HK$'000	2011 HK$'000
Reinsurance premiums ceded	**–**	25
Commission expense paid	**–**	4

17. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but where prices have not been determined in an active market, financial assets with fair value based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own model whereby the majority of assumptions are market observation.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value:

At 30th June, 2012	**Level 1 HK$'000**	**Level 2 HK$'000**	**Total HK$'000**
Available-for-sale securities:			
Equity investments	**1,105,073**	**387,519**	**1,492,592**
Securities measured at fair value through profit or loss	**766,869**	**1,023,646**	**1,790,515**
	1,871,942	**1,411,165**	**3,283,107**

At 31st December, 2011	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Available-for-sale securities:			
Equity investments	1,004,184	–	1,004,184
Securities measured at fair value through profit or loss	970,002	878,152	1,848,154
	1,974,186	878,152	2,852,338

As at 30th June, 2012 and 31st December, 2011, the Group had no financial instruments measured at fair value under Level 3.

During the period ended 30th June, 2012, due to no active market for the respective security, an equity listed outside Hong Kong under available-for-sale securities with a fair value of HK$387,519,000, and under securities measured at fair value through profit or loss with fair value of HK$74,420,000 were transferred out from Level 1 to Level 2.

During the period ended 30th June, 2011, there were no transfers of fair value measurements between Level 1 and Level 2.

During the period ended 30th June, 2012 and 30th June, 2011, there were no transfers of fair value measurements into or out of Level 3.

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 price risk.

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

(1) Internal control environment

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

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

(2) Credit risk management

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

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

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

(3) Liquidity risk management

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

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

Financial Risk Management Objectives and Policies (continued)

(4) Capital management

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

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

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

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

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 30th June, 2012, the Group has no net debt.

(5) Interest rate risk management

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

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

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

(6) Foreign exchange risk management

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

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

Financial Risk Management Objectives and Policies (continued)

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent more than 99% 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 geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

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

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

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

The Group also has limited its exposure to a certain level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, such as hurricanes, earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit the exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. For a single realistic catastrophic event, this maximum amount is less than 5% of the shareholders' equity 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.

Financial Risk Management Objectives and Policies (continued)

(8) Operational risk management

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

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

(9) Price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss and available-for-sale securities as at 30th June, 2012. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, United States, and Thailand and are valued at quoted market prices at the end of the reporting period.

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

Directors' Interests in Shares

As at 30th June, 2012, the interests of the Company's directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

	Number of ordinary shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Robin Yau Hing Chan	–	–	575,415,712[1]	575,415,712	56.46
Bernard Charnwut Chan	754,000	–	–	754,000	0.07
Wong Kok Ho	810,000	430,000	–	1,240,000	0.12
Lau Ki Chit	21,080	–	–	21,080	0.00
Ng Song Hin	–	–	11,571,827[2]	11,571,827	1.14
Choedchu Sophonpanich	791,496	–	–	791,496	0.08
Anna Suk Han Chow	41,559	–	–	41,559	0.00

Notes:

(1) *Out of the 575,415,712 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) 258,000 shares were held through Asia Panich Investment Company (Hong Kong) Limited ("Asia Panich") and (iv) 258,000 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. Robin Yau Hing Chan.*

(2) *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. Robin Yau Hing Chan and Mr. Wong Kok Ho have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30th June, 2012, none of the Company's directors 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.

Substantial Shareholders' Interests

As at 30th June, 2012, the following persons (other than a director or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Cosmos Investments Inc.	(a), (b)	566,585,712	55.59
Claremont Capital Holdings Ltd	(a)	566,069,712	55.54
Bangkok Bank Public Company Limited		95,488,236	9.37
Sompo Japan Insurance Inc.		52,563,020	5.16
Aioi Nissay Dowa Insurance Company Limited		52,550,175	5.16

Notes:

(a) *These shares have been included in the interest disclosure of Dr. Robin Yau Hing Chan as set out in the section "Directors' Interests in Shares" above.*

(b) *Cosmos Investments Inc. was deemed to be interested in 566,585,712 shares in which 566,069,712 shares were held by Claremont Capital, 258,000 shares were held by Asia Panich and 258,000 shares were held by Man Tong since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong, respectively.*

Save as disclosed above, as at 30th June, 2012, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30th June, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Change in the Board

The Board accepted the resignation of Dr. Ko Wing Man as independent non-executive director of the Company effective on 14th June, 2012 due to his other personal commitments which require more of his attention. Following his resignation, the Board has a total of four independent non-executive directors.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in the information of directors of the Company since the date of its Annual Report 2011 are set out below:

Mr. Bernard Charnwut Chan, G.B.S., J.P., has been appointed as a non-official member of the Executive Council of the HKSAR effective on 1st July, 2012.

Mr. Kenneth Chi Lam Siao, is entitled to receive a fee of HK$90,000 for the year ending 31st December, 2012 (2011: HK$72,000) for being an independent non-executive director of the Company as well as a member of the Audit Committee and Compliance Committee of the Company. The increase is due to his appointment as a member of the Compliance Committee of the Company with effect from 6th December, 2011.

Dr. The Hon. Philip Yu Hong Wong, G.B.S., resigned as the non-executive chairman of Qin Jia Yuan Media Services Company Limited, a public listed company on the Main Board of the Stock Exchange, with effect from 22nd March, 2012.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Code for Securities Transactions by Directors

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

All directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Code throughout the six months ended 30th June, 2012.

Corporate Governance Code

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2012.