



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, 2018

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Board of Directors

Executive Directors

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

Non-Executive Directors

KAWAUCHI Yuji
IDE Kentaro

Independent Non-Executive Directors

CHOW Suk Han Anna
MA Andrew Chiu Cheung
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta

Audit Committee

MA Andrew Chiu Cheung (*Chairman*)
CHOW Suk Han Anna
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta

Compliance Committee

CHOW Suk Han Anna (*Chairperson*)
MA Andrew Chiu Cheung
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
TAN Stephen

Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
MA Andrew Chiu Cheung
CHOW Suk Han Anna
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut

Nomination Committee

CHOW Suk Han Anna (*Chairperson*)
MA Andrew Chiu Cheung
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut

Risk Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
MA Andrew Chiu Cheung
CHOW Suk Han Anna
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut

Auditor

Ernst & Young
Certified Public Accountants
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1 Tim Mei Avenue, Central
Hong Kong

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Principal Registrar and Transfer Office

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Bermuda

Branch Registrar and Transfer Office

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Wan Chai
Hong Kong

Company Secretary

WONG Ka Kong Adam

Share Listing

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



Asia Financial Holdings Limited ("Asia Financial") recorded net profit attributable to shareholders of HK\$104.6 million in the first half of 2018, a 60.7% fall over the same period in 2017. This largely reflected realised and unrealised declines in the value of portfolio investments during a period of market weakness. Underwriting profits remained at a steady and healthy level despite a very competitive market. Overall contributions from our joint ventures and associates fell over the same period last year. Our expenses remained under control and in line with inflation.

Asia Financial's prospects for the second half of the year depend on the outlook for global financial markets, which at the time of writing are potentially volatile. The outlook for our insurance operations is generally positive. We will continue with our conservative core investment approach and prudent policies in such areas as cost control in the pursuit of long-term growth in shareholder value.

Economic Background

The international economy showed firm growth in the first half of 2018, with strong consumption and commodity prices. China's economy moderated somewhat under the effects of deleveraging. Hong Kong enjoyed strong domestic and external demand and achieved first-quarter GDP growth of 4.7%. This was reflected in continuing firmness in the labour market and consumption.

However, fears of international trade conflicts hit markets during the period. The Hang Seng Index declined 3.2% during the first half, while H Shares fell by 5.4% and the S&P 500 rose 1.7%. Bond markets generally showed weakness owing to concerns about inflation and rising interest rates.

Management Approach and Future Prospects

The global and regional economic fundamentals at mid-2018 look positive, and Hong Kong's economy is performing particularly strongly. The same is true of the US economy, with high corporate earnings spurring stock market gains. One uncertainty is interest rates, which could rise faster than expected owing to higher inflation – with repercussions for the markets. Another is the prospect of tariffs and other protectionist measures disrupting global trade and investment flows, which could affect the Hong Kong economy.

Medium-term prospects for our insurance operations remain positive, with our strong distribution network and market positioning helping us to perform well despite a crowded market. We will continue reviewing and optimizing our mix of business segments. We are also further developing our distribution capacity and product range.

We remain optimistic about the overall longer-term outlook. China's leadership is gradually addressing structural adjustment through increased consumption, urbanization and financial and other reforms. Other parts of East Asia are continuing their own long-term reforms and development. The region is in the midst of a major transformation involving the rise of large middle classes, gradually aging societies and greater use of market-based solutions to demographic and other policy challenges.

This is the long-term environment on which Asia Financial's management focuses. We aim to continue building on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Greater China and elsewhere in Asia. Our investment spheres fit well with our traditional expertise and networks of clients and partners, and as a whole are 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.

I look forward to reporting generally satisfactory results for the full year.

CHAN Yau Hing Robin

Chairman

Hong Kong, 23rd August, 2018

Management Discussion and Analysis

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved profit attributable to shareholders of HK\$87.3 million in the first half of 2018, a 55.8% decrease compared with the same period in 2017.

Turnover rose by 11.5%. This is a good result in view of our commitment to underwriting discipline and the intense competition in pricing in several major market segments in Hong Kong. There was no exposure to major catastrophes in the period. Underwriting profit was at the same level as in the first half of 2017 (all the above figures are before elimination of intergroup transactions), maintaining Asia Insurance’s very healthy profit margin.

Unrealised losses in investments resulted in a year-on-year fall in investment returns. This mainly reflected volatility in equity markets during the period. Dividend and interest income were satisfactory.

The rise in Asia Insurance’s costs in the first half of 2018 was in line with the company’s business growth and market trends in pay.

The outlook for Asia Insurance’s core underwriting activities looks positive for the second half of 2018 and beyond. Our key challenge is soft pricing in the very competitive Hong Kong market. We will continue to utilize our risk management expertise to focus on quality business, optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

Asia Insurance continued in the first half of 2018 to develop its distribution network through new agents and brokers. We are considering various ways to further enhance our product range, employee skills, systems and distribution capacity in anticipation of future trends in clients’ needs and market conditions. This includes the launch of an on-line platform for business partners. Looking ahead, we also anticipate possible opportunities arising from the central government’s “Greater Bay Area” plan to further integrate Pearl River Delta regions. In general, Asia Insurance expects to continue to build on its status as a leader in Hong Kong’s general insurance market with an outstanding reputation for service and professionalism.

In terms of investment performance, trade war concerns make the outlook for the rest of the year uncertain. We will maintain a prudent approach towards portfolio management.

Joint ventures and associates in the insurance segment performed acceptably in the first half of 2018. BC Reinsurance Limited, The People’s Insurance Company of China (Hong Kong) Limited and Professional Liability Underwriting Services Limited all maintained generally stable profits. No profits from Hong Kong Life Insurance Limited were booked in the period as it has been reclassified as an asset held for sale since last year.

PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. PICC Life reported RMB69.9 billion in premium income for the first half of 2018. 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 21.1% of our total assets.

Other Portfolio Investment

Trading investments showed realised and unrealised declines in the first half of 2018. This reflected weakness in the Hong Kong and China equities markets, largely due to global fears of trade conflict. Returns from non-traded investments rose owing to growth in dividend income. Net interest income rose owing to higher returns from deposits.

Our portfolio investment approach will remain long-term and not simply focused on year-on-year fluctuations in market valuations. We will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

Health Care and Wellness

Our 3.6% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our most solid investments. The stock market valuation weakened in the first half of the year. Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services looks likely to continue. The company is also continuing to explore new opportunities.

Business Review (continued)

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated healthy returns in the first half of 2018, helped by general business growth. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, is one of the major providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group's interests in real estate are focused on Shanghai and represent 2.9% of our total assets. The main project is a residential and commercial complex in Jiading in Shanghai, in which we have a 27.5% stake.

The only revenues from the project booked in the first half of 2018 resulted from the sale of a number of car parking spaces. The first stage of Phase 3 of the project is now under construction, and pre-sales so far have proved encouraging. We are monitoring the possibility that local measures to regulate the residential property market might affect pricing.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and cash equivalents as at 30th June, 2018 amounted to HK\$2,484,892,000 (31st December, 2017: HK\$2,627,224,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2018 (31st December, 2017: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 29th January, 2019 and charged at 1.25% over the 3-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2018. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

Charge on Assets

As at 30th June, 2018, Asia Insurance charged assets with a carrying value of HK\$119,138,000 (31st December, 2017: HK\$119,409,000) 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 securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2017: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2017: HK\$150,000,000).

Contingent Liabilities

As at 30th June, 2018, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2018 was 281 (31st December, 2017: 274). 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, 2018. The Group also offers various training and induction programmes to its employees.

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

Interim Results Highlights

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2018 as follows:

Profit attributable to equity holders of the Company:	HK\$104.6 million	–60.7%
Earnings per share:	HK10.7 cents	–60.7%
Interim dividend per share:	HK2.0 cents	–50.0%

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

Review of Interim Financial Statements

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th June, 2018 and recommended it for the Board’s approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK2.0 cents (2017: HK4.0 cents) per ordinary share for the six months ended 30th June, 2018 payable on or about Tuesday, 2nd October, 2018 to shareholders whose names appear on the Register of Members of the Company on Thursday, 20th September, 2018.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 18th September, 2018 to Thursday, 20th September, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17th September, 2018.



Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2018

	Notes	Six months ended 30th June,	
		2018 HK\$'000	2017 HK\$'000
REVENUE	3	769,092	689,168
Gross premiums		769,092	689,168
Reinsurers' share of gross premiums		(272,348)	(218,942)
Change in unearned premiums reserve		(50,814)	(24,440)
Change in life reserve		(7,123)	(17,091)
Net insurance contracts premiums revenue		438,807	428,695
Gross claims paid		(354,065)	(245,678)
Reinsurers' share of gross claims paid		169,369	83,764
Gross change in outstanding claims		121,722	(22,264)
Reinsurers' share of gross change in outstanding claims		(111,739)	3,033
Net claims incurred		(174,713)	(181,145)
Commission income		53,310	40,775
Commission expense		(185,279)	(159,405)
Net commission expense		(131,969)	(118,630)
Management expenses for underwriting business		(36,157)	(33,146)
Underwriting profit		95,968	95,774
Dividend income		77,248	63,513
Realised gain on investments		995	27,629
Unrealised gain/(loss) on investments		(63,548)	79,747
Interest income		36,758	31,853
Other income and gains, net		9,038	17,175
		156,459	315,691
Operating expenses		(56,734)	(63,879)
Finance costs	4	(1,898)	(1,598)
		97,827	250,214
Share of profits and losses of joint ventures		15,469	29,033
Share of profits and losses of associates		6,133	12,743
PROFIT BEFORE TAX	5	119,429	291,990

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2018

	Notes	Six months ended 30th June,	
		2018 HK\$'000	2017 HK\$'000
PROFIT BEFORE TAX	5	119,429	291,990
Income tax expense	6	(12,372)	(23,821)
PROFIT FOR THE PERIOD		107,057	268,169
Attributable to:			
Equity holders of the Company		104,628	265,898
Non-controlling interests		2,429	2,271
		107,057	268,169
INTERIM DIVIDEND	7	19,509	39,139
INTERIM DIVIDEND PER SHARE	7	HK2.0 cents	HK4.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic – For profit for the period		HK10.7 cents	HK27.2 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, 2018

	Notes	Six months ended 30th June,	
		2018 HK\$'000	2017 HK\$'000
PROFIT FOR THE PERIOD		107,057	268,169
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale securities:			
Changes in fair value	10	–	216,588
Share of other comprehensive income/(expense) of joint ventures		(749)	5,068
Share of other comprehensive income/(expense) of associates		(13,196)	16,849
Exchange differences on translation of foreign operations		480	98
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		(13,465)	238,603
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income:			
Changes in fair value	10	(972,079)	–
Income tax effect		73,464	–
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(898,615)	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		(912,080)	238,603
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		(805,023)	506,772
ATTRIBUTABLE TO:			
Equity holders of the Company		(805,081)	503,332
Non-controlling interests		58	3,440
		(805,023)	506,772



Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2018

	Notes	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
ASSETS			
Property, plant and equipment		181,202	176,450
Investment properties		280,200	280,200
Interests in joint ventures		214,928	208,734
Loans to joint ventures		74,538	54,000
Interests in associates		427,904	436,700
Due from an associate		256,140	256,140
Held-to-maturity securities	9	–	725,558
Held-to-collect debt securities at amortised cost	9	679,323	–
Available-for-sale securities	10	–	3,616,130
Financial assets at fair value through other comprehensive income ("FVOCI")	10	4,983,639	–
Pledged deposits	14	260,857	206,488
Loans and advances and other assets	11	147,308	117,335
Securities measured at fair value through profit or loss	12	1,794,480	1,736,186
Insurance receivables	13	282,802	225,162
Reinsurance assets		1,095,357	1,211,355
Cash and cash equivalents	14	2,484,892	2,627,224
		13,163,570	11,877,662
Assets of a disposal group classified as held for sale	15	105,084	105,084
Total assets		13,268,654	11,982,746
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	16	975,448	978,478
Reserves		8,187,964	6,920,986
Proposed dividend		19,509	73,386
		9,182,921	7,972,850
Reserve of a disposal group classified as held for sale		3,595	3,595
		9,186,516	7,976,445
Non-controlling interests		45,747	45,689
Total equity		9,232,263	8,022,134
Liabilities			
Insurance contracts liabilities		3,141,414	3,187,781
Insurance payables		159,992	181,949
Due to a joint venture		25,135	28,099
Due to associates		4,222	4,222
Other liabilities		325,417	348,521
Interest-bearing bank borrowing	17	150,000	150,000
Tax payable		52,158	46,414
Deferred tax liabilities		178,053	13,626
Total liabilities		4,036,391	3,960,612
Total equity and liabilities		13,268,654	11,982,746



Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2018

Attributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Available-for-sale/FVOCI 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	Reserve of a disposal group classified as held for sale HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31st December, 2017 – HKAS 39	978,478	560,531	72,623	1,575,124	141,570	12,766	2,427	513,240	79,543	3,963,162	73,386	3,595	7,978,445	45,689	8,022,134
Impact of adopting HKFRS 9 (note 1)	-	-	-	2,103,554	-	-	-	-	-	-	-	-	2,103,554	-	2,103,554
At 1st January, 2018 – HKFRS 9	978,478	560,531	72,623	3,678,678	141,570	12,766	2,427	513,240	79,543	3,963,162	73,386	3,595	10,079,999	45,689	10,125,688
Profit for the period	-	-	-	-	-	-	-	-	-	104,628	-	-	104,628	2,429	107,057
Other comprehensive income/(expense) for the period:															
Changes in fair value of financial assets at FVOCI	-	-	-	(898,615)	-	-	-	-	-	-	-	-	(898,615)	-	(898,615)
Share of other comprehensive expense of joint ventures	-	-	-	(7)	-	(742)	-	-	-	-	-	-	(749)	-	(749)
Share of other comprehensive expense of associates	-	-	-	(5,391)	-	(5,434)	-	-	-	-	-	-	(10,825)	(2,371)	(13,196)
Exchange differences on translation of foreign operations	-	-	-	-	-	480	-	-	-	-	-	-	480	-	480
Total comprehensive income/(expense) for the period	-	-	-	(904,013)	-	(5,696)	-	-	-	104,628	-	-	(805,081)	58	(805,023)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	-	122	(73,386)	-	(73,264)	-	(73,264)
Proposed Interim 2018 dividend	-	-	-	-	-	-	-	-	-	(19,509)	19,509	-	-	-	-
Repurchase of shares	(3,030)	-	-	-	-	-	-	-	-	(12,108)	-	-	(15,138)	-	(15,138)
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	3,030	(3,030)	-	-	-	-	-
Release from contingency reserve	-	-	(1,263)	-	-	-	-	-	-	1,263	-	-	-	-	-
Share of changes in contingency reserve of a joint venture	-	-	79	-	-	-	-	-	-	(79)	-	-	-	-	-
At 30th June, 2018	975,448	560,531*	71,439*	2,774,665*	141,570*	7,070*	2,427*	513,240*	82,573*	4,034,449*	19,509	3,595	9,186,516	45,747	9,232,263

* These reserve accounts comprise the consolidated reserves of HK\$8,187,964,000 (31st December, 2017: HK\$6,920,986,000) in the unaudited condensed consolidated statement of financial position.

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2018

Atributable 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	Reserve of a disposal group classified as held for sale HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2017	978,478	560,531	71,777	1,130,178	56,120	(17,942)	2,427	513,240	79,543	3,608,346	53,816	-	7,036,514	43,090	7,079,604
Profit for the period	-	-	-	-	-	-	-	-	-	265,898	-	-	265,898	2,271	268,169
Other comprehensive income for the period:															
Changes in fair value of available-for-sale securities	-	-	-	216,588	-	-	-	-	-	-	-	-	216,588	-	216,588
Share of other comprehensive income of joint ventures	-	-	-	3,120	-	1,948	-	-	-	-	-	-	5,068	-	5,068
Share of other comprehensive income of associates	-	-	-	2,802	-	12,878	-	-	-	-	-	-	15,680	1,169	16,849
Exchange differences on translation of foreign operations	-	-	-	-	-	98	-	-	-	-	-	-	98	-	98
Total comprehensive income for the period	-	-	-	222,510	-	14,924	-	-	-	265,898	-	-	503,332	3,440	506,772
Final 2016 dividend declared	-	-	-	-	-	-	-	-	-	-	(53,816)	-	(53,816)	-	(53,816)
Reclassification for a disposal group classified as held for sale	-	-	-	(4,828)	-	-	-	-	-	-	-	4,828	-	-	-
Proposed interim 2017 dividend	-	-	-	-	-	-	-	-	-	(39,139)	39,139	-	-	-	-
Transfer to contingency reserve	-	-	408	-	-	-	-	-	-	(408)	-	-	-	-	-
At 30th June, 2017	978,478	560,531	72,185	1,347,660	56,120	(3,018)	2,427	513,240	79,543	3,834,697	39,139	4,828	7,486,030	46,530	7,532,560



Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2018

	Six months ended 30th June,	
	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	119,429	291,990
Adjustments for:		
Interest income	(36,758)	(31,853)
Finance costs	1,898	1,598
Dividend income from investments	(77,248)	(63,513)
Gain on redemption/call-back of held-to-collect debt securities at amortised cost	(358)	–
Loss on redemption/call-back of held-to-maturity securities	–	126
Gain on disposal of available-for-sale securities	–	(57)
Depreciation	3,823	7,121
Gain on disposal of interest in an associate	(313)	–
Gain on disposal/write-off of items of property, plant and equipment	(221)	(226)
Share of profits and losses of joint ventures	(15,469)	(29,033)
Share of profits and losses of associates	(6,133)	(12,743)
	(11,350)	163,410
Decrease/(increase) in loans and advances and other assets	(21,691)	35,253
Increase in securities measured at fair value through profit or loss	(58,294)	(60,714)
Increase in insurance receivables	(57,640)	(52,591)
Decrease in reinsurance assets	115,998	3,582
Decrease in time deposits with original maturity of over three months	167,445	50,343
Increase/(decrease) in insurance contracts liabilities	(46,367)	57,182
Increase/(decrease) in insurance payables	(21,957)	6,010
Decrease in other liabilities	(22,624)	(21,784)
	43,520	180,691
Cash generated from operations	(6,628)	(3,386)
Hong Kong profits tax paid	–	17
Overseas taxes refund	–	–
	36,892	177,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	36,758	31,853
Dividends received from investments	68,966	56,690
Dividends received from joint ventures	8,526	3,151
Dividends received from associates	1,215	1,214
Purchases of held-to-collect debt securities at amortised cost	(97,468)	–
Purchases of held-to-maturity securities	–	(38,841)
Purchases of available-for-sale securities	–	(1,024)
Proceeds from redemption/call back of held-to-collect debt securities at amortised cost	145,918	–
Proceeds from redemption/call back of held-to-maturity securities	–	42,001
Proceeds from disposal of available-for-sale securities	–	57
Purchases of items of property, plant and equipment	(8,887)	(2,185)
Proceeds from disposal of items of property, plant and equipment	533	792
Advance of loans to joint ventures	(20,538)	–
Capital contribution to an associate	–	(5)
Increase/(decrease) in an amount due to a joint venture	(2,964)	1,707
Increase in an amount due from an associate	–	(55,375)
Proceeds from disposal of interest in an associate	831	–
Increase in pledged deposits	(54,369)	(8,738)
Deposit received for a proposed disposal	–	118,333
	78,521	149,630

.....continued

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2018

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	(15,138)	–
Dividends paid	(73,264)	(53,816)
Interest paid	(1,898)	(1,598)
Net cash flows used in financing activities	(90,300)	(55,414)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,113	271,538
Cash and cash equivalents at beginning of period	2,416,427	2,218,027
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,441,540	2,489,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	196,305	204,330
Non-pledged time deposits with original maturity of over three months when acquired	43,352	165,020
Non-pledged time deposits with original maturity of less than three months when acquired	2,245,235	2,285,235
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	2,484,892	2,654,585
Less: Non-pledged time deposits with original maturity of over three months when acquired	(43,352)	(165,020)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	2,441,540	2,489,565



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, 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for accounting period beginning on or after 1st January, 2018 and as disclosed below.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements</i> <i>2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Except for HKFRS 9, adoption of these new and revised HKFRSs and HKASs did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group has adopted HKFRS 9 on 1st January, 2018. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies. As permitted by the transition provisions of HKFRS 9, the Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in equity as of 1st January, 2018.

HKFRS 9 “Financial Instruments”

Classification and measurement of financial assets

HKFRS 9 “Financial Instruments” introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

Prior to 1st January, 2018, the Group’s investments in securities were classified as “available-for-sale securities”, “held-to-maturity securities” and “securities at fair value through profit or loss”. From 1st January, 2018 onwards, the equity securities and debt securities previously classified as “available-for-sale securities” are classified as “financial assets at fair value through other comprehensive income (“FVOCI”)” and “held-to-collect debt securities at amortised cost”, respectively; “held-to-maturity securities” are classified as “held-to-collect debt securities at amortised cost”, while all other financial assets and financial liabilities continue to be measured on the same basis as measured under HKAS 39.

Notes to the Interim Financial Statements (Unaudited)

1. Accounting Policies (continued)

HKFRS 9 “Financial Instruments” (continued)

Classification and measurement of financial assets (continued)

The following table illustrates the main effects from reclassification and change in measurement of the Group’s financial assets at the date of initial application, 1st January, 2018.

	Original carrying amount under HKAS 39 31st December, 2017 HK\$'000	HKAS 39 measurement category	HKFRS 9 reclassification HK\$'000	HKFRS 9 remeasurement HK\$'000	New carrying amount under HKFRS 9 1st January, 2018 HK\$'000	HKFRS 9 measurement category
Held-to-maturity securities	725,558	Held-to-maturity	(725,558)	-	-	N/A
Held-to-collect debt securities at amortised cost	-	N/A	727,415	-	727,415	Amortised cost
Available-for-sale securities	3,616,130	Available-for-sale	(3,616,130)	-	-	N/A
Financial assets at FVOCI	-	N/A	3,614,273	2,341,445	5,955,718	FVOCI

Except for the above, the measurement categories and carrying amounts of the Group’s financial assets and financial liabilities remain the same.

The impact of these changes on the Group’s equities and liabilities are as follows:

	FVOCI/ available- for-sale investment reserve HK\$'000	Deferred tax liabilities HK\$'000
Opening balance at 31st December, 2017 under HKAS 39	1,575,124	13,626
Reclassify non-trading equities from available-for-sale securities to financial assets at FVOCI	2,103,554	237,891
Opening balance at 1st January, 2018 under HKFRS 9	<u>3,678,678</u>	<u>251,517</u>

1. Accounting Policies (continued)

HKFRS 9 “Financial Instruments” (continued)

Impairment of financial assets

HKFRS 9 replaces the “incurred loss” impairment model in HKAS 39 with a forward-looking “expected credit loss” model. The expected credit loss model requires an ongoing assessment of credit risk associated with a financial asset and therefore recognise expected credit loss earlier than under the incurred loss accounting model in HKAS 39. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

2. Operating Segment Information

(a) Operating segments

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

	Insurance HK\$’000	Corporate HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
For the six months ended 30th June, 2018				
Segment revenue:				
External customers	769,092	-	-	769,092
Other revenue, income and gains, net	26,676	33,815	-	60,491
Intersegment	478	-	(478)	-
Total	796,246	33,815	(478)	829,583
Segment results	90,897	6,930	-	97,827
Share of profits and losses of:				
Joint ventures	1,034	14,435	-	15,469
Associates	8,411	(2,278)	-	6,133
Profit before tax				119,429
Income tax expense	(11,693)	(679)	-	(12,372)
Profit for the period				107,057

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2017				
Segment revenue:				
External customers	689,168	–	–	689,168
Other revenue, income and gains, net	125,810	94,107	–	219,917
Intersegment	5,205	–	(5,205)	–
	<u>820,183</u>	<u>94,107</u>	<u>(5,205)</u>	<u>909,085</u>
Total				
Segment results	<u>191,981</u>	<u>58,233</u>	<u>–</u>	<u>250,214</u>
Share of profits and losses of:				
Joint ventures	17,733	11,300	–	29,033
Associates	7,734	5,009	–	12,743
Profit before tax				291,990
Income tax expense	(23,543)	(278)	–	(23,821)
Profit for the period				<u>268,169</u>
	Insurance HK\$'000	Corporate HK\$'000		Consolidated HK\$'000
30th June, 2018				
Segment assets	6,676,819	5,843,919		12,520,738
Interests in joint ventures	88,488	126,440		214,928
Interests in associates	200,708	227,196		427,904
Assets of a disposal group classified as held for sale	105,084	–		105,084
Total assets	<u>7,071,099</u>	<u>6,197,555</u>		<u>13,268,654</u>
Segment liabilities	<u>3,630,613</u>	<u>405,778</u>		<u>4,036,391</u>



2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2017			
Segment assets	6,738,621	4,493,607	11,232,228
Interests in joint ventures	93,124	115,610	208,734
Interests in associates	201,792	234,908	436,700
Assets of a disposal group classified as held for sale	105,084	–	105,084
Total assets	7,138,621	4,844,125	11,982,746
Segment liabilities	3,715,391	245,221	3,960,612

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Interest on a bank loan	1,898	1,598

Notes to the Interim Financial Statements (Unaudited)

5. Profit Before Tax

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

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Auditor's remuneration	(1,648)	(1,876)
Depreciation	(3,823)	(7,121)
Employee benefits expense (including directors' remuneration)	(64,350)	(64,697)
Minimum lease payments under operating leases	(700)	(741)
Realised gain/(loss) on:		
– disposal of securities measured at fair value through profit or loss (held for trading), net	324	27,698
– disposal of available-for-sale securities	–	57
– redemption/call back of held-to-collect debt securities at amortised cost	358	–
– redemption/call back of held-to-maturity securities	–	(126)
– disposal of interest in an associate	313	–
Total realised gain on investments	995	27,629
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	(63,548)	79,747
Interest income	36,758	31,853
Gain on disposal/write-off of items of property, plant and equipment	221	226
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(741)	–
Foreign exchange gain, net#	4,240	11,225
Dividend income from:		
– Listed investments	49,244	41,866
– Unlisted investments	28,004	21,647
Total dividend income	77,248	63,513

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



6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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,	
	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong		
Charge for the period	6,452	19,589
Under provision in prior period	335	–
Current – Elsewhere		
Charge for the period	5,585	4,232
	<u>12,372</u>	<u>23,821</u>
Total tax charge for the period		

7. Dividend

	Six months ended 30th June,	
	2018 HK\$'000	2017 HK\$'000
Proposed interim dividend:		
HK2.0 cents (2017: HK4.0 cents) per ordinary share	19,509	39,139
	<u>19,509</u>	<u>39,139</u>

The Board has resolved to pay an interim dividend of HK2.0 cents per share (2017: HK4.0 cents), which will be paid in cash, for the six months ended 30th June, 2018 payable on or about 2nd October, 2018 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 20th September, 2018.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$104,628,000 (2017: HK\$265,898,000) and the weighted average number of ordinary shares of 977,550,000 (2017: 978,478,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

Notes to the Interim Financial Statements (Unaudited)

9. Held-to-collect Debt Securities at Amortised Cost/Held-to-maturity Securities

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	379,758	376,960
Listed debt securities outside Hong Kong, at amortised cost	168,509	184,210
Unlisted debt securities, at amortised cost	131,056	164,388
	<hr/>	<hr/>
Total held-to-maturity securities	–	725,558
	<hr/>	<hr/>
Total held-to-collect debt securities at amortised cost	679,323	–
	<hr/>	<hr/>
Fair value of listed and unlisted held-to-maturity securities	–	751,841
	<hr/>	<hr/>
Fair value of listed and unlisted held-to-collect debt securities at amortised cost	692,150	–
	<hr/>	<hr/>

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

None of the held-to-collect debt securities at amortised cost/held-to-maturity securities are past due. The financial assets included in held-to-collect debt securities at amortised cost/held-to-maturity securities relate to receivables for which there was no recent history of default. As at 30th June, 2018, the Group has applied the expected credit loss model on its held-to-collect debt securities at amortised cost.

The held-to-collect debt securities at amortised cost/held-to-maturity securities analysed by issuers as at the end of the reporting period are as follows:

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Banks and other financial institutions	565,408	573,680
Corporate entities	113,915	151,878
	<hr/>	<hr/>
	679,323	725,558
	<hr/>	<hr/>

9. Held-to-collect Debt Securities at Amortised Cost/Held-to-maturity Securities (continued)

The maturity profile of held-to-collect debt securities at amortised cost/held-to-maturity securities as at the end of the reporting period is as follows:

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
With a residual maturity of:		
Three months or less	27,289	75,153
One year or less but over three months	72,952	66,105
Five years or less but over one year	252,189	258,076
Over five years	326,893	326,224
	679,323	725,558

During the period, a cedant of certain pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 30th June, 2018, listed debt securities of the Group amounting to HK\$119,138,000 (31st December, 2017: HK\$119,409,000) were pledged.

10. Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")/Available-for-sale Securities

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Listed equity outside Hong Kong, at fair value	1,784,266	2,021,466
Total listed financial assets at FVOCI/available-for-sale securities	1,784,266	2,021,466
Unlisted equity, at cost	–	1,624,863
Less: Impairment	–	(32,056)
	–	1,592,807
Unlisted debt, at cost	–	8,070
Less: Impairment	–	(6,213)
	–	1,857
Total unlisted available-for-sale securities	–	1,594,664
Unlisted equity, at fair value	3,199,373	–
Total unlisted financial assets at FVOCI	3,199,373	–
Total available-for-sale securities	–	3,616,130
Total financial assets at FVOCI	4,983,639	–

Notes to the Interim Financial Statements (Unaudited)

10. Financial Assets at Fair Value through Other Comprehensive Income (“FVOCI”)/Available-for-sale Securities (continued)

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Banks and other financial institutions	3,690,374	2,516,365
Corporate entities	1,293,265	1,099,765
	4,983,639	3,616,130

During the period, the gross loss in respect of the Group's financial assets at FVOCI/available-for-sale listed investments recognised in other comprehensive income amounted to HK\$972,079,000 (2017: gross gain of HK\$216,588,000).

The fair values of listed equity investments are based on quoted market prices. The unlisted financial assets at FVOCI of the Group as at 30th June, 2018 with carrying amounts of HK\$3,199,373,000 are measured at fair value, while the unlisted available-for-sale equity securities as at 31st December, 2017 with carrying amount of HK\$1,592,807,000 are measured at cost less impairment. The Group does not intend to dispose of them in the near future.

11. Loans and Advances and Other Assets

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Loans and advances	12,008	12,796
Dividend receivable	8,282	–
Accrued interest and other assets	127,018	104,539
	147,308	117,335

The Group's accrued interest and other assets are current in nature. None of the loans and advances and other assets is either past due or impaired. The financial assets included in the loans and advances and other assets relate to receivables for which there was no recent history of default.



11. Loans and Advances and Other Assets (continued)

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	367	392
One year or less but over three months	1,101	1,129
Five years or less but over one year	7,974	8,396
Over five years	2,566	2,879
	12,008	12,796

12. Securities Measured at Fair Value through Profit or Loss

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	33,670	59,471
– listed outside Hong Kong, at fair value	38,910	62,380
– unlisted, at quoted price	15,700	15,731
	88,280	137,582
Equity securities at fair value:		
– listed in Hong Kong	508,822	435,505
– listed outside Hong Kong	446,720	465,185
	955,542	900,690
Investment funds:		
– listed outside Hong Kong, at fair value	21,272	16,207
– unlisted, at quoted price	729,386	681,707
	750,658	697,914
Total	1,794,480	1,736,186

Notes to the Interim Financial Statements (Unaudited)

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

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Public sector entities	43,427	45,427
Banks and other financial institutions	231,913	209,258
Corporate entities	1,519,140	1,481,501
	1,794,480	1,736,186

Securities measured at fair value through profit or loss at 30th June, 2018 and 31st December, 2017 were classified as held for trading.

As at 30th June, 2018, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2017: HK\$150,000,000) (note 17).

13. Insurance Receivables

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Amounts due in respect of:		
Direct underwriting	195,735	104,436
Reinsurance accepted	87,067	120,726
	282,802	225,162

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.

13. Insurance Receivables (continued)

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Three months or less	222,848	196,550
Six months or less but over three months	60,885	28,890
One year or less but over six months	1,834	2,120
Over one year	–	367
	285,567	227,927
Less: Impairment allowances	(2,765)	(2,765)
	282,802	225,162

14. Cash and Cash Equivalents and Pledged Deposits

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Cash and bank balances	196,305	182,880
Time deposits with original maturity of over three months	43,352	210,797
Time deposits with original maturity of less than three months	2,245,235	2,233,547
	2,484,892	2,627,224
Pledged deposits	260,857	206,488
	2,745,749	2,833,712

15. Assets of a Disposal Group Classified as Held for Sale

On 20th March, 2017, Asia Insurance Company, Limited (“Asia Insurance”), a wholly-owned subsidiary of the Company, entered into a share sale agreement with an independent third party to dispose of 16.67% of the issued share capital of Hong Kong Life Insurance Limited for a cash consideration of approximately HK\$1,183 million before transaction related expenses. Asia Insurance has received a non-refundable deposit of HK\$118,333,000, being 10% of the consideration.

Completion of the transaction is subject to certain conditions including obtaining the necessary approvals from the relevant authorities. As at 30th June, 2018, the approval process for the disposal of the relevant authorities was in progress and the Group’s interests in Hong Kong Life Insurance Limited amounting to HK\$105,084,000 was classified as a disposal group held for sale. Deposit of HK\$118,333,000 (31st December, 2017: HK\$118,333,000) was included in other liabilities. Further details of the transaction were disclosed in the Company’s announcements dated 20th March, 2017 and 15th March, 2018 and circular dated 31st May, 2017.

Notes to the Interim Financial Statements (Unaudited)

16. Share Capital

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	1,500,000	1,500,000
Issued and fully paid:		
975,448,000 (2017: 978,478,000) ordinary shares of HK\$1 each	975,448	978,478

During the period ended 30th June, 2018, a subsidiary of the Company repurchased and cancelled 3,030,000 ordinary shares of the Company of HK\$1 each on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$4.70 to HK\$5.50 per share at a total consideration of HK\$15,138,000 (including expenses and dividend).

The premium of HK\$12,108,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$3,030,000 was transferred from retained profits of the Company to the capital redemption reserve.

17. Interest-bearing Bank Borrowing

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Interest-bearing bank loan, secured	150,000	150,000

The bank loan bears interest at 1.25% (31st December, 2017: 1.25%) over the 3-month Hong Kong Interbank Offered Rate per annum, is repayable on or before 29th January, 2019, and is secured by the pledge of certain equity securities listed in Hong Kong classified as securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2017: HK\$150,000,000) (note 12).

18. Commitments

The Group had capital commitments as follows:

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Contracted, but not provided for:		
Acquisition of car parking spaces	5,850	—
Capital contribution payable to a joint venture (note)	102,000	—
	107,850	—

Note: Pursuant to a joint venture agreement entered into between the Group and an independent third party on 28th June, 2018, the Group shall make minimum capital contribution of HK\$102,000,000 to the joint venture, subject to the approval of relevant authority.

19. Related Party Transactions

(a)

	30th June, 2018		31st December, 2017	
	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	-	1,915	-	1,916
Interbank activities:				
Deposits placed	-	870,943	-	958,816
	Six months ended 30th June, 2018		Six months ended 30th June, 2017	
	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	-	6,799	-	4,337
Premium income:				
Gross premiums written	278	4,773	166	4,406
Commission expense, net	-	210	-	411
Compensation:				
Salaries and short-term employee benefits	6,712	-	6,419	-
Pension scheme contributions	273	-	268	-

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

Notes to the Interim Financial Statements (Unaudited)

19. Related Party Transactions (continued)

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	74,538	54,000
Loans and advances received:		
Aggregate balance at the end of the reporting period	24,952	26,183
	Six months ended 30th June, 2018 HK\$'000	2017 HK\$'000
Interest expense paid or payable	183	1,276
Commission expense paid	–	58

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	256,140	256,140
Loans and advances received:		
Aggregate balance at the end of the reporting period	4,222	4,222
	Six months ended 30th June, 2018 HK\$'000	2017 HK\$'000
Loans and advances granted:		
Interest income	1,198	–
Reinsurance premium ceded	70	67
Commission expense paid	2,874	4,392

20. Fair Value Hierarchy of Financial Instruments

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 inputs other than quoted parties included within Level 1 that are observable for the asset or liability, 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

Assets measured at fair value:

At 30th June, 2018	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVOCI:				
Listed equity investments	890,374	893,892	–	1,784,266
Unlisted equity investments	–	–	3,199,373	3,199,373
Securities measured at fair value through profit and loss	902,287	892,193	–	1,794,480
	1,792,661	1,786,085	3,199,373	6,778,119
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31st December, 2017				
Available-for-sale securities:				
Listed equity investments	994,355	1,027,111	–	2,021,466
Securities measured at fair value through profit or loss	869,717	866,469	–	1,736,186
	1,864,072	1,893,580	–	3,757,652

As at 31st December, 2017, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the periods ended 30th June, 2018 and 30th June, 2017, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

Notes to the Interim Financial Statements (Unaudited)

20. Fair Value Hierarchy of Financial Instruments (continued)

The movement in fair value measurement within Level 3 during the period ended 30th June, 2018 is as follow:

	HK\$'000
At 31st December, 2017	–
Reclassification of investments from available-for-sale securities to financial assets at FVOCI	<u>3,934,252</u>
At 1st January, 2018	<u>3,934,252</u>
Net loss recognised in other comprehensive income	<u>(734,879)</u>
At 30th June, 2018	<u><u>3,199,373</u></u>

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of listed financial instruments are based on quoted market prices in active markets, or if there is no active market, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, such as by reference to the quoted market price in active market of another financial instrument that is substantially the same. The fair values of unlisted investment funds are based on quoted prices from fund managers. The fair values of unlisted equity securities are mainly based on market approach. The Group has engaged independent valuers to perform the valuation of certain principal financial instruments for financial reporting purpose.

Below is a summary of significant unobservable inputs to the valuation of principal financial instruments as at 30th June, 2018:

	Valuation Technique	Unobservable Inputs	Range or weighted average
Unlisted equity investments – life insurance	Market approach	Discount of lack of marketability	8.43%
Unlisted equity investments – asset management	Market approach	Discount of lack of marketability	25%
Unlisted equity investments – others	Market approach	Price to book value multiple	0.33 to 1.2

Increase/(decrease) in discount for lack of marketability would result in significant decrease/(increase) in fair value of the financial instruments. Increase/(decrease) in price to book value multiple would result in significant increase/(decrease) in fair value of the financial instruments.

Financial Risk Management Objectives and Policies

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

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

(1) Internal control environment

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

The internal audit department, together with internal audit outsourcing professionals, play an important role in the Group's internal control framework. They monitor the effectiveness of the internal control procedures and ensure 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-collect debt securities at amortised cost/held-to-maturity securities, financial assets at FVOCI/available-for-sale securities, securities measured at fair value through profit or loss, 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.

(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 the Relevant Amount during the reported financial periods and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

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

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance 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 30th June, 2018, the Group has no net debt.

(5) Interest rate risk management

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

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

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

(6) Foreign exchange risk management

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

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

Financial Risk Management Objectives and Policies (continued)

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent 96% of its total gross premiums written.

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

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

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

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

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

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

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

Financial Risk Management Objectives and Policies (continued)

(8) Operational risk management

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

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

(9) Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 30th June, 2018. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, the United States, and Thailand and are valued at quoted market prices at the end of the reporting period.

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

The Code for Securities Transactions by Directors

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

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Code of Conduct and the Model Code throughout the six months ended 30th June, 2018.

Directors’ Interests in Shares

As at 30th June, 2018, 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 under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company’s issued share capital ⁽¹⁾
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
CHAN Yau Hing Robin	–	–	578,829,712 ⁽²⁾	578,829,712	59.34
CHAN Bernard Charnwut	1,382,334	–	–	1,382,334	0.14
WONG Kok Ho	810,000	430,000	–	1,240,000	0.13
CHOW Suk Han Anna	41,559	–	–	41,559	0.00

Notes:

(1) Based on 975,448,000 shares in issue as at 30th June, 2018.

(2) Out of the 578,829,712 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) 3,097,000 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.

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

Save as disclosed above, as at 30th June, 2018, none of the Company’s directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30th June, 2018, the following persons (other than the directors or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital ^(a)
Cosmos Investments Inc.	(b), (c)	569,999,712	58.43
Claremont Capital Holdings Ltd	(b)	566,069,712	58.03
Bangkok Bank Public Company Limited		95,488,236	9.79
Sompo Holdings, Inc.	(d)	91,759,753	9.41
Sompo Japan Nipponkoa Insurance Inc.	(d)	91,759,753	9.41
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.39

Notes:

- (a) Based on 975,448,000 shares in issue as at 30th June, 2018.
- (b) These shares have been included in the interest disclosure of Dr. CHAN Yau Hing Robin as set out in the section "Directors' Interests in Shares" above.
- (c) Cosmos Investments Inc. was deemed to be interested in 569,999,712 shares in which 566,069,712 shares were held by Claremont Capital, 3,097,000 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.
- (d) Sompo Japan Nipponkoa Insurance Inc. ("SJNII") is a wholly-owned subsidiary of Sompo Holdings, Inc. ("SHI") and accordingly, the shares in which SJNII is shown as interested are included in the shares in which SHI is shown as interested.

Save as disclosed above, as at 30th June, 2018, 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, 2018, a subsidiary of the Company repurchased a total of 3,030,000 ordinary shares of the Company on the Stock Exchange at an aggregate purchase price of approximately HK\$15,141,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the reporting period. Details of the ordinary shares repurchased on the Stock Exchange during the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per share HK\$	Lowest purchase price per share HK\$	Aggregate purchase price (excluding expenses) HK\$'000
April 2018	1,354,000	4.89	4.70	6,537
May 2018	1,282,000	5.30	4.83	6,454
June 2018	394,000	5.50	5.30	2,150
	<u>3,030,000</u>			<u>15,141</u>



Purchase, Sale or Redemption of the Company's Shares (continued)

As a result of the above share repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled during the reporting period.

The purchase of the Company's shares during the period was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held on 24th May, 2017 and 16th May, 2018. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 30th June, 2018 and up to the date of this report.

Changes in Directors' Information

There have been changes in the information related to the Company's directors since the date of its Annual Report 2017. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

The fees for the Chairman of the Board and each director of the Company have been revised from HK\$80,000 and HK\$60,000 per annum to HK\$90,000 and HK\$70,000 per annum respectively, and the fees to the chairman and each of the other members of certain board committees have been revised from HK\$30,000 and HK\$20,000 per annum to HK\$40,000 and HK\$30,000 per annum respectively, all with effect from the year ending 31st December, 2018. This increase in directors' and committees' members' fees were approved in the Company's annual general meeting held on 16th May, 2018 (the "2018 AGM"). The fee for each director of Asia Insurance has also been revised from HK\$40,000 to HK\$50,000 per annum with effect from the year ending 31st December, 2018.

Dr. CHAN Yau Hing Robin, G.B.M., G.B.S., LL.D, J.P., was awarded Grand Bauhinia Medal by the Government of the HKSAR on 1st July, 2018. He is entitled to receive a total fee of HK\$140,000 (2017: HK\$120,000) for being the Chairman of the Company and Asia Insurance for the year ending 31st December, 2018.

Mr. CHAN Bernard Charnwut, G.B.S., J.P., has been a board member of The Community Chest since 26th June, 2018. He is entitled to receive a total fee of HK\$240,000 (2017: HK\$168,000) for being a director of the Company and Asia Insurance, and a member of the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee for the year ending 31st December, 2018.

Mr. TAN Stephen is entitled to receive a total fee of HK\$100,000 (2017: HK\$80,000) for being a director of the Company and a member of the Compliance Committee for the year ending 31st December, 2018.

Mr. WONG Kok Ho was appointed as a director of Grand Plaza Hotel Corporation, a public company listed on Philippine Stock Exchange, with effect from 15th May, 2018. He is entitled to receive a total fee of HK\$120,000 (2017: HK\$100,000) for being a director of the Company and Asia Insurance for the year ending 31st December, 2018.

Mr. KAWAUCHI Yuji has been appointed as a non-executive director of the Company with effect from 23rd March, 2018. He resigned as a director of Sompoo Insurance (Thailand) Public Company Limited on 25th April, 2018.

Mr. IDE Kentaro has been appointed as a non-executive director of the Company with effect from 16th May, 2018.

Mr. MA Andrew Chiu Cheung is entitled to receive a total fee of HK\$280,000 (2017: HK\$198,000) for being a director of the Company and Asia Insurance, chairman of the Audit Committee, and a member of the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee for the year ending 31st December, 2018.

Other Information

Changes in Directors' Information (continued)

Ms. CHOW Suk Han Anna is entitled to receive a total fee of HK\$290,000 (2017: HK\$208,000) for being a director of the Company and Asia Insurance, chairman of both the Nomination Committee and the Compliance Committee, and a member of the Audit Committee, the Remuneration Committee and the Risk Committee for the year ending 31st December, 2018.

Mrs. LAI KO Wing Yee Rebecca, J.P., is entitled to receive a total fee of HK\$290,000 (2017: HK\$201,000) for being a director of the Company and Asia Insurance, chairman of both the Remuneration Committee and the Risk Committee, and a member of the Audit Committee, the Nomination Committee and the Compliance Committee for the year ending 31st December, 2018.

Mrs. SHUEN LEUNG Lai Sheung Loretta has been appointed as an independent non-executive director of Asia Insurance with effect from 4th May, 2018. She is entitled to receive a total fee of HK\$253,000 (2017: HK\$60,000) for being a director of the Company and Asia Insurance, and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee for the year ending 31st December, 2018.

Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2018 except for the deviation as specified and explained below with considered reasons for such deviation:

Code Provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings. Mr. SOPHONPANICH Chote and Mr. YAMAMOTO Takao, being the then non-executive directors, were unable to attend the 2018 AGM of the Company as both did not offer themselves for re-election as director at the 2018 AGM due to other commitment and retired from the conclusion of the 2018 AGM.

