



亞洲金融集團(控股)有限公司
ASIA FINANCIAL HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

(Stock Code: 662)

INTERIM REPORT

For the six months ended 30th June, 2020

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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
OGURA Satoru

Independent Non-Executive Directors

CHOW Suk Han Anna
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta

Audit Committee

SHUEN LEUNG Lai Sheung Loretta (*Chairperson*)
CHOW Suk Han Anna
LAI KO Wing Yee Rebecca

Compliance Committee

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

Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
CHOW Suk Han Anna
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
WONG Kok Ho

Nomination Committee

CHOW Suk Han Anna (*Chairperson*)
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
WONG Kok Ho

Risk Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
CHOW Suk Han Anna
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
WONG Kok Ho

Auditor

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

Registered Office

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2 Church Street
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Principal Registrar and Transfer Office

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Branch Registrar and Transfer Office

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Hopewell Centre
183 Queen's Road East,
Wan Chai
Hong Kong

Company Secretary

CHIANG Yuet Wah Connie

Principal Bankers

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

Legal Advisers

Conyers Dill & Pearman
Gallant
Deacons

Share Listing

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

Asia Financial Holdings Limited ("Asia Financial") recorded a net loss attributable to shareholders of HK\$29.9 million in the first half of 2020, a 112.2% reversal from the HK\$244.6 million profit over the same period in 2019. The main contributing factor was the impact of the coronavirus pandemic, a historic crisis that continues to create uncertainty and volatility in economies and global equities markets. In spite of unprecedented economic headwinds, our core businesses showed reassuring resiliency. Current underwriting profits remain stable. Overall contributions from our joint-ventures and associates were mixed, however our expenses remained under control and in line with inflation.

Asia Financial's prospects for the second half of 2020 will continue to be affected by the unfolding pandemic crisis and its unpredictable impact on the performance of global equities markets and on global economies in general. Despite the unfavorable economic environment, we remain cautiously optimistic about the outlook for our insurance operations. Our core business is solid and mature, and we are fortunate to enjoy customer confidence in the marketplace, due to our company's 60+ year history in the insurance business. This will be an asset to us as we face upcoming challenges on the path to global economic recovery. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

Economic Background

Overall global economic growth fell sharply in the first half of 2020, due to the unprecedented COVID-19 pandemic, which triggered the most severe recession in over a century. The Organisation for Economic Co-operation and Development (OECD) estimates a 6% decline in global GDP, US unemployment rate hit a record high of 14.7% in April. Interest rates remained low. Hong Kong's GDP contracted by 9%, and unemployment rose to 6.5% in the second quarter, although these levels are stabilizing due to HK government stimulus initiatives. China's economy, meanwhile, is rebounding more quickly from the pandemic and is expected to have a small positive growth this year.

The US and China markets have gradually returned to pre-pandemic levels, but market performance elsewhere was mixed. The Hang Seng index fell sharply by 13.3% lagging behind the performance of China and US markets, which have been supported by a more resilient economy and monetary easing, respectively. H Shares were in line with the Hang Seng index, losing about 12.6%, and the S&P 500 by mid-year had recovered most of its 2020 losses.

Management Approach and Future Prospects

The global and regional economic picture in mid-2020 remains uncertain and difficult to predict. There is a disconnect between markets and economies – while big equities markets in the US and China are demonstrating resilience, the overall global economic growth indicators are weak. We will be closely monitoring the development of the pandemic crisis and its impact on the global economic environment. Additional concerns include geopolitical risk, the impact of US-China relations on both equities markets and trade, and a weak Hong Kong economy that we expect will remain challenging through the second half of 2020. We will maintain a prudent portfolio investment strategy accordingly.

The current outlook for our insurance operations is positive, with our strong distribution network and market positioning helping us to perform well despite the challenging economic situation and 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.

At this time of global challenge in our industry and the world, our company's reputation and stability are an advantage in an uncertain and volatile marketplace. The region is undergoing 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. In this changing environment, Asia Financial is well-positioned for steady and successful growth.

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 Hong Kong and Greater China. 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.

CHAN Yau Hing Robin

Chairman

Hong Kong, 27th August, 2020



Management Discussion and Analysis

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved net loss attributable to shareholders of HK\$29.1 million in the first half of 2020, a 119.5% reversal from the HK\$149.5 million profit over the same period in 2019.

Despite the pandemic’s impact on our clients’ businesses, our turnover for the first half of 2020 rose by 1.4%, an extraordinary testimony to our company’s service, reputation and client confidence. We maintained most of our existing business while adding new business as well, particularly in our core SME market. There was no exposure to major catastrophe during the period. Underwriting profit dropped 14.1%. This is partly due to payouts on catastrophic losses from previous years, and partly because we were required to increase our insurance reserve when we added new business. Our fundamental underwriting profit trend remains healthy and stable, and we remain among the top performers in the Hong Kong insurance industry, with a S&P’s rating of A. (All the above figures are before elimination of intergroup transactions.)

We suffered both realised and unrealised losses in our investments, due to the historically bad performance of global equities markets in this period of coronavirus pandemic.

The rise in Asia Insurance’s costs in the first half of 2020 was in line with the company’s continuing business growth and investment in user and backend systems.

The outlook for Asia Insurance’s core underwriting activities looks positive for the second half of 2020 and beyond in both Hong Kong and Macau. We will continue to utilize our risk management expertise to focus on quality business, and to 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 2020 to develop its distribution network through new agents and brokers and online digital channels. We are successfully introducing an on-line platform for business partners. We are also actively working on significant enhancements to our product range, and ongoing upgrades to employee skills, systems and distribution capacity in anticipation of future trends in clients’ needs and market conditions.

Looking ahead, we also anticipate possible opportunities arising from the central government’s “Greater Bay Area” plan to further integrate Pearl River Delta regions. Additionally, in the aftermath of COVID-19 people are increasingly aware of the need to protect their health with insurance coverage, a trend that will add traction to our core business and support our market growth.

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, the pandemic and related economic fallout along with geopolitical risk and trade tensions make the outlook for the rest of the year uncertain. We will maintain a sensible and watchful approach towards portfolio management.

Joint ventures and associates in the insurance segment had mixed performances in the first half of 2020. BC Reinsurance Limited had an investment loss due to global equity volatility. Hong Kong Life Insurance Limited experienced an operating loss due to the life insurance industry’s thin profit margin, and because of low interest rates in the bond market. Professional Liability Underwriting Services Limited enjoyed a stable profit while The People’s Insurance Company of China (Hong Kong) Limited saw a return to healthy underwriting profit.

PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. At the time of writing, interim results are still awaited. However the company maintains a healthy position in the China market, with a substantial network of offices.

Business Review (continued)

Other Portfolio Investment

Trading investments felt the impact of the unprecedented downturn in global equities markets due to the coronavirus pandemic. We have adjusted our portfolio in line with market changes, and will continue to monitor and adjust to continuing market fluctuations. Returns from non-traded investments were healthy.

Our portfolio will remain focused on good quality equities and fixed-income investments, and our approach will be long-term rather than reactive to 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 potential new long-term opportunities arising from major developments in the international environment, and changes in consumer trends in the post-COVID-19 market.

Health Care and Wellness

Our 3.4% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our largest listed equity investment. This year, the stock market valuation weakened due to a suffering Thai economy, which experienced its sharpest downturn in 22 years. The Thai baht, as well, dropped in value. Additionally, the company felt the negative effect of coronavirus pandemic restrictions on entry to Thailand (48% of Bumrungrad’s patients are from overseas). With Thailand on track to re-opening its borders to medical tourism, Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services is likely to rebound.

Pension and Asset Management

The Group’s holding in Bank Consortium Holding Limited (“BCH”), one of our joint ventures, generated very healthy returns in the first half of 2020, in spite of the economic situation. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains 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 3.7% 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.

China’s property market remains strong, and there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 is being developed in three stages, and in the first half of 2020 we took a healthy profit from residential sales of Stage One. Despite the COVID-19 pandemic, there was enthusiastic demand for residential sales of Stage Two, which is now 100% sold. We expect to realise these profits in 2021. We anticipate that Stage Three, currently in permit application status, will follow the successful trajectory of the project’s previous stages.

Management Discussion and Analysis

Securities Investments Representing More than 5% of Total Assets

As at 30th June, 2020, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Fair value as at 30th June, 2020 (HK\$'million)	% of total Group assets	Realised and unrealised losses (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	2,766	20.3%	(607)	Nil
Bumrungrad Hospital	27,400	801	5.9%	(242)	12

Both investments are mainly long-term strategic holdings.

Capital Structure

The Group finances its own working capital requirement through funds generated from operations.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and cash equivalents as at 30th June, 2020 amounted to HK\$3,396,477,000 (31st December, 2019: HK\$3,366,602,000).

The Group had no bank borrowing as at 30th June, 2020 (31st December, 2019: The Group had a bank borrowing of HK\$100,000,000 which was secured by certain bank deposits and Hong Kong listed shares, repayable on or before 29th January, 2020 and charged at 1.25% over the 1,2,3 or 6-month Hong Kong Interbank Offered Rate per annum. The bank borrowing was fully repaid on 29th January, 2020).

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2020. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contracts liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and financial assets 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, 2020, Asia Insurance charged assets with a carrying value of HK\$119,012,000 (31st December, 2019: HK\$119,516,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

Contingent Liabilities

As at 30th June, 2020, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2020 was 292 (31st December, 2019: 291). 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, 2020. 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, 2020 as follows:

Loss attributable to equity holders of the Company:	HK\$29.9 million	-112.2%
Loss per share:	HK3.1 cents	-112.3%
Interim dividend per share:	HK1.0 cent	-71.4%

(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, 2020 and recommended it for the Board’s approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK1.0 cent (2019: HK3.5 cents) per ordinary share for the six months ended 30th June, 2020 payable on or about Thursday, 8th October, 2020 to shareholders whose names appear on the Register of Members of the Company on Thursday, 24th September, 2020.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 22nd September, 2020 to Thursday, 24th September, 2020, 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, 21st September, 2020.



Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June,	
		2020 HK\$'000	2019 HK\$'000
REVENUE	3	953,378	940,421
Gross premiums		953,378	940,421
Reinsurers' share of gross premiums		(340,696)	(340,137)
Change in unearned premiums reserve		(76,116)	(109,231)
Change in life reserve		(11,157)	(6,472)
Net insurance contracts premiums revenue		525,409	484,581
Gross claims paid		(376,965)	(565,140)
Reinsurers' share of gross claims paid		220,320	392,566
Gross change in outstanding claims		(144,723)	114,816
Reinsurers' share of gross change in outstanding claims		41,058	(166,615)
Net claims incurred		(260,310)	(224,373)
Commission income		67,637	69,478
Commission expense		(211,556)	(219,830)
Net commission expense		(143,919)	(150,352)
Management expenses for underwriting business		(57,781)	(35,307)
Underwriting profit		63,399	74,549
Dividend income		55,192	79,155
Realised gain/(loss) on investments		(76,664)	20,344
Unrealised gain/(loss) on investments		(54,981)	65,076
Interest income		47,732	48,814
Other income and gains/(losses), net		(38,516)	802
		(3,838)	288,740
Operating expenses		(60,066)	(57,365)
Finance costs	4	(336)	(2,165)
		(64,240)	229,210
Share of profits and losses of joint ventures		(21,232)	29,334
Share of profits and losses of associates		64,388	2,753
PROFIT/(LOSS) BEFORE TAX	5	(21,084)	261,297

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June,	
		2020 HK\$'000	2019 HK\$'000
PROFIT/(LOSS) BEFORE TAX	5	(21,084)	261,297
Income tax expense	6	(7,060)	(16,178)
PROFIT/(LOSS) FOR THE PERIOD		(28,144)	245,119
Attributable to:			
Equity holders of the Company		(29,894)	244,649
Non-controlling interests		1,750	470
		(28,144)	245,119
INTERIM DIVIDEND	7	9,493	33,907
INTERIM DIVIDEND PER SHARE	7	HK1.0 cent	HK3.5 cents
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic – For profit/(loss) for the period		(HK3.1 cents)	HK25.2 cents
Diluted – For profit/(loss) for the period		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2020

	Note	Six months ended 30th June,	
		2020 HK\$'000	2019 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD		(28,144)	245,119
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(expense) of joint ventures		(16,391)	15,668
Share of other comprehensive income/(expense) of associates		(6,544)	12,937
Exchange differences on translation of foreign operations		(942)	(381)
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods		(23,877)	28,224
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	10	(1,241,964)	(30,745)
Income tax effect		77,336	(938)
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods		(1,164,628)	(31,683)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		(1,188,505)	(3,459)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		(1,216,649)	241,660
ATTRIBUTABLE TO:			
Equity holders of the Company		(1,219,486)	237,094
Non-controlling interests		2,837	4,566
		(1,216,649)	241,660



Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2020

	Notes	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
ASSETS			
Property, plant and equipment		184,806	181,382
Investment properties		264,489	285,300
Interests in joint ventures		462,538	496,698
Interests in associates		564,163	507,333
Due from associates		256,140	256,140
Held-to-collect debt securities at amortised cost	9	746,534	738,587
Equity investments designated at fair value through other comprehensive income ("FVOCI")	10	4,597,147	5,801,466
Pledged deposits	14	305,590	305,590
Loans and advances and other assets	11	154,093	117,982
Financial assets at fair value through profit or loss	12	905,045	1,147,947
Insurance receivables	13	324,315	251,060
Reinsurance assets		1,442,829	1,401,886
Cash and cash equivalents	14	3,396,477	3,366,602
Total assets		13,604,166	14,857,973
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	15	959,294	960,840
Reserves		8,024,093	9,267,043
Proposed dividend		9,493	47,968
Non-controlling interests		8,992,880	10,275,851
		50,166	47,329
Total equity		9,043,046	10,323,180
Liabilities			
Insurance contracts liabilities		3,835,344	3,603,464
Insurance payables	16	182,911	207,099
Due to associates		4,222	4,222
Other liabilities		254,035	264,101
Interest-bearing bank borrowing	17	–	100,000
Tax payable		79,250	73,957
Deferred tax liabilities		205,358	281,950
Total liabilities		4,561,120	4,534,793
Total equity and liabilities		13,604,166	14,857,973



Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2020

Attributable to equity holders of the Company

	Issued capital	Treasury shares	Share premium account	Contingency reserve	Fair value reserve of equity investments designated at FVOCI	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2020	960,840	(593)	560,531	54,603	3,493,600	141,570	(22,783)	2,427	513,240	97,161	4,427,267	47,968	10,275,851	47,329	10,323,180
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(29,894)	-	(29,894)	1,750	(28,144)
Other comprehensive income/(expense) for the period:															
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(1,164,628)	-	-	-	-	-	-	-	(1,164,628)	-	(1,164,628)
Share of other comprehensive expense of joint ventures	-	-	-	-	(16,391)	-	-	-	-	-	-	-	(16,391)	-	(16,391)
Share of other comprehensive income/(expense) of associates	-	-	-	-	2,480	-	(10,111)	-	-	-	-	-	(7,631)	1,087	(6,544)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(942)	-	-	-	-	-	(942)	-	(942)
Total comprehensive income/(expense) for the period	-	-	-	-	(1,178,539)	-	(11,053)	-	-	-	(29,894)	-	(1,219,486)	2,837	(1,216,649)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	-	-	4	(47,968)	(47,964)	-	(47,964)
Proposed interim 2020 dividend	-	-	-	-	-	-	-	-	-	-	(9,493)	9,493	-	-	-
Repurchase of shares	(1,546)	(9,530)	-	-	-	-	-	-	-	-	(4,445)	-	(15,521)	-	(15,521)
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	-	1,546	(1,546)	-	-	-	-
Transfer to contingency reserve	-	-	-	13,161	-	-	-	-	-	-	(13,161)	-	-	-	-
At 30th June, 2020	959,294	(10,123)*	560,531*	67,764*	2,315,061*	141,570*	(33,836)*	2,427*	513,240*	98,727*	4,368,732*	9,493	8,992,880	50,166	9,043,046

* These reserve accounts comprise the consolidated reserves of HK\$8,024,093,000 (31st December, 2019: HK\$9,267,043,000) 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, 2020

Attributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Fair value reserve of equity investments designated at FVOCI 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, 2019	973,180	560,531	69,890	2,862,741	141,570	(10,465)	2,427	513,240	84,841	4,136,960	48,615	9,383,530	44,568	9,428,098
Profit for the period	-	-	-	-	-	-	-	-	-	244,649	-	244,649	470	245,119
Other comprehensive income/(expense) for the period:														
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(31,683)	-	-	-	-	-	-	-	(31,683)	-	(31,683)
Share of other comprehensive income of joint ventures	-	-	-	15,375	-	293	-	-	-	-	-	15,668	-	15,668
Share of other comprehensive income/(expense) of associates	-	-	-	9,313	-	(472)	-	-	-	-	-	8,841	4,096	12,937
Exchange differences on translation of foreign operations	-	-	-	-	-	(381)	-	-	-	-	-	(381)	-	(381)
Total comprehensive income/(expense) for the period	-	-	-	(6,995)	-	(560)	-	-	-	244,649	-	237,094	4,566	241,660
Final 2018 dividend declared	-	-	-	-	-	-	-	-	-	121	(48,615)	(48,494)	-	(48,494)
Proposed interim 2019 dividend	-	-	-	-	-	-	-	-	-	(33,907)	33,907	-	-	-
Repurchase of shares	(3,918)	-	-	-	-	-	-	-	-	(13,892)	-	(17,810)	-	(17,810)
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	3,918	(3,918)	-	-	-	-
Release from contingency reserve	-	-	(7,702)	-	-	-	-	-	-	7,702	-	-	-	-
At 30th June, 2019	969,262	560,531	62,188	2,855,746	141,570	(11,025)	2,427	513,240	88,759	4,337,715	33,907	9,554,320	49,134	9,603,454



Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2020

	Six months ended 30th June,	
	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(21,084)	261,297
Adjustments for:		
Interest income	(47,732)	(48,814)
Finance costs	336	2,165
Dividend income from investments	(55,192)	(79,155)
Gain on redemption/call-back of held-to-collect debt securities at amortised cost	–	(144)
Depreciation	5,191	3,942
Changes in expected credit losses	4,640	–
Changes in fair value of investment properties	32,905	–
Gain on change in interest of a joint venture	(5,563)	–
Loss/(gain) on disposal/write-off of items of property, plant and equipment	4	(8)
Share of profits and losses of joint ventures	21,232	(29,334)
Share of profits and losses of associates	(64,388)	(2,753)
	(129,651)	107,196
Increase in loans and advances and other assets	(36,120)	(29,778)
Decrease in financial assets at fair value through profit or loss	242,902	104,190
Increase in insurance receivables	(77,895)	(128,979)
Decrease/(increase) in reinsurance assets	(40,943)	100,741
Decrease/(increase) in time deposits with original maturity of over three months	893	(831)
Increase in insurance contracts liabilities	231,880	66,764
Increase/(decrease) in insurance payables	(24,188)	15,612
Decrease in other liabilities	(10,562)	(19,899)
	156,316	215,016
Cash generated from operations	(1,014)	(15,715)
Hong Kong profits tax paid		
	155,302	199,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	47,732	48,814
Dividends received from investments	55,192	79,155
Dividends received from joint ventures	2,100	2,099
Dividends received from associates	1,014	1,094
Purchases of held-to-collect debt securities at amortised cost	(48,988)	(109,505)
Purchases of equity investments designated at fair value through other comprehensive income	(37,645)	–
Proceeds from redemption/call back of held-to-collect debt securities at amortised cost	41,041	80,795
Purchases of items of property, plant and equipment	(8,619)	(1,446)
Purchases of investment property	(12,094)	–
Proceeds from disposal of items of property, plant and equipment	–	10
	39,733	101,016

.....continued

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2020

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowing	(100,000)	–
Repurchase of shares	(15,521)	(17,810)
Dividends paid	(47,964)	(48,494)
Principal portion of lease payments	(446)	(193)
Interest paid	(336)	(2,165)
	<u>(164,267)</u>	<u>(68,662)</u>
Net cash flows used in financing activities	(164,267)	(68,662)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	30,768	231,655
Cash and cash equivalents at beginning of period	3,321,674	2,669,513
	<u>3,352,442</u>	<u>2,901,168</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	3,352,442	2,901,168
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	168,285	204,306
Non-pledged time deposits with original maturity of over three months when acquired	44,035	31,292
Non-pledged time deposits with original maturity of less than three months when acquired	3,184,157	2,696,862
	<u>3,396,477</u>	<u>2,932,460</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	3,396,477	2,932,460
Less: Non-pledged time deposits with original maturity of over three months when acquired	(44,035)	(31,292)
	<u>3,352,442</u>	<u>2,901,168</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	3,352,442	2,901,168



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, 2019 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, 2020 and as disclosed below.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
HKFRS 16 COVID-19	<i>Related Rent Concessions</i>

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

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.

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information

(a) Operating segments

The following tables present revenue, profit 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, 2020				
Segment revenue:				
External customers	953,378	-	-	953,378
Other revenue, income and losses, net	(31,701)	(35,536)	-	(67,237)
Intersegment	4,723	-	(4,723)	-
	<u>926,400</u>	<u>(35,536)</u>	<u>(4,723)</u>	<u>886,141</u>
Total	926,400	(35,536)	(4,723)	886,141
Segment results	(5,229)	(59,011)	-	(64,240)
Share of profits and losses of:				
Joint ventures	(36,842)	15,610	-	(21,232)
Associates	15,313	49,075	-	64,388
Loss before tax				(21,084)
Income tax expense	(5,921)	(1,139)	-	(7,060)
Loss for the period				(28,144)

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, 2019				
Segment revenue:				
External customers	940,421	–	–	940,421
Other revenue, income and gains, net	103,313	110,878	–	214,191
Intersegment	4,740	–	(4,740)	–
Total	<u>1,048,474</u>	<u>110,878</u>	<u>(4,740)</u>	<u>1,154,612</u>
Segment results	<u>143,871</u>	<u>85,339</u>	<u>–</u>	<u>229,210</u>
Share of profits and losses of:				
Joint ventures	14,169	15,165	–	29,334
Associates	2,351	402	–	2,753
Profit before tax				261,297
Income tax expense	(15,728)	(450)	–	(16,178)
Profit for the period				<u>245,119</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000	
30th June, 2020				
Segment assets	7,012,204	5,565,261	12,577,465	
Interests in joint ventures	350,535	112,003	462,538	
Interests in associates	218,779	345,384	564,163	
Total assets	<u>7,581,518</u>	<u>6,022,648</u>	<u>13,604,166</u>	
Segment liabilities	<u>4,302,774</u>	<u>258,346</u>	<u>4,561,120</u>	

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2019			
Segment assets	7,119,144	6,734,798	13,853,942
Interests in joint ventures	400,305	96,393	496,698
Interests in associates	200,913	306,420	507,333
	<u>7,720,362</u>	<u>7,137,611</u>	<u>14,857,973</u>
Total assets			
	<u>7,720,362</u>	<u>7,137,611</u>	<u>14,857,973</u>
Segment liabilities	4,099,403	435,390	4,534,793
	<u>4,099,403</u>	<u>435,390</u>	<u>4,534,793</u>

(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,	
	2020 HK\$'000	2019 HK\$'000
Interest on a bank loan	304	2,165
Interest on lease liabilities	32	–
	<u>336</u>	<u>2,165</u>

5. Profit/(Loss) Before Tax

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

	Six months ended 30th June,	
	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	(1,838)	(1,777)
Depreciation	(5,191)	(3,942)
Employee benefits expense (including directors' remuneration)	(75,088)	(67,199)
Expenses of short-term leases and leases of low-value assets	(156)	(759)
Realised gain/(loss) on:		
– disposal of financial assets at fair value through profit or loss, net	(82,227)	20,200
– redemption/call back of held-to-collect debt securities at amortised cost	–	144
– change in interest in a joint venture	5,563	–
Total realised gain/(loss) on investments	(76,664)	20,344
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	(54,981)	65,076
Change in expected credit losses	(4,640)	–
Interest income	47,732	48,814
Gain/(loss) on disposal/write-off of items of property, plant and equipment [^]	(4)	8
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(96)	(94)
Change in fair value of investment properties [^]	(32,905)	–
Foreign exchange loss, net [^]	(11,423)	(3,984)
Dividend income from:		
Listed investments	37,844	41,631
Unlisted investments	17,348	37,524
Total dividend income	55,192	79,155

[^] Such amount was included in "Other income and gains/(losses), net" on the face of the unaudited condensed consolidated statement of profit or loss.

Notes to the Interim Financial Statements (Unaudited)

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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,	
	2020 HK\$'000	2019 HK\$'000
Current – Hong Kong		
Charge for the period	398	10,555
Current – Elsewhere		
Charge for the period	5,918	5,623
Deferred tax charge	744	–
	<hr/>	<hr/>
Total tax charge for the period	7,060	16,178
	<hr/>	<hr/>

7. Dividend

	Six months ended 30th June,	
	2020 HK\$'000	2019 HK\$'000
Proposed interim dividend:		
HK1.0 cent (2019: HK3.5 cents) per ordinary share	9,493	33,907
	<hr/>	<hr/>

The Board has resolved to pay an interim dividend of HK1.0 cent per share (2019: HK3.5 cents), which will be paid in cash, for the six months ended 30th June, 2020 payable on or about 8th October, 2020 to shareholders whose names appear on the Register of Members of the Company on 24th September, 2020.

8. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings/(loss) per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$29,894,000 (2019: profit of HK\$244,649,000) and the weighted average number of ordinary shares of 959,351,000 (2019: 971,324,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30th June, 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	396,029	393,994
Listed debt securities outside Hong Kong, at amortised cost	192,675	177,928
Unlisted debt securities, at amortised cost	157,830	166,665
	<hr/>	<hr/>
Total held-to-collect debt securities at amortised cost	746,534	738,587
	<hr/>	<hr/>
Fair value of listed and unlisted held-to-collect debt securities	781,690	773,260
	<hr/>	<hr/>

The fair values of the listed and unlisted held-to-collect debt securities at amortised cost 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 are either past due or impaired. The financial assets included in held-to-collect debt securities at amortised cost relate to receivables for which there was no recent history of default.

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Public sector entities	23,432	23,427
Banks and other financial institutions	542,078	575,827
Corporate entities	181,024	139,333
	<hr/>	<hr/>
	746,534	738,587
	<hr/>	<hr/>

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
With a residual maturity of:		
Three months or less	100,205	102,552
One year or less but over three months	10,113	38,957
Five years or less but over one year	298,219	306,174
Over five years	337,997	290,904
	<hr/>	<hr/>
	746,534	738,587
	<hr/>	<hr/>

Notes to the Interim Financial Statements (Unaudited)

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

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, 2020, listed debt securities of the Group amounting to HK\$119,012,000 (31st December, 2019: HK\$119,516,000) were pledged.

10. Equity Investments Designated at Fair Value Through Other Comprehensive Income

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Listed equity investments outside Hong Kong, at fair value		
Bangkok Bank Public Company Limited	508,581	788,862
Bumrungrad Hospital Public Company Limited	677,607	870,197
	<u>1,186,188</u>	<u>1,659,059</u>
Unlisted equity investments, at fair value		
PICC Life Insurance Company Limited	2,766,000	3,440,000
BBL Assets Management Limited	402,000	462,000
PT Asian International Investindo	117,640	128,516
BE Reinsurance Limited	48,961	49,019
Others	76,358	62,872
	<u>3,410,959</u>	<u>4,142,407</u>
	<u>4,597,147</u>	<u>5,801,466</u>

During the period, the gross loss in respect of the Group's equity investments designated at fair value through other comprehensive income amounted to HK\$1,241,964,000 (2019: HK\$30,745,000).

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted equity investments designated at fair value through other comprehensive income have been estimated using market-based valuation techniques.

11. Loans and Advances and Other Assets

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Loans and advances	9,167	9,804
Accrued interest and other assets	144,925	108,168
Tax recoverable	1	10
	<u>154,093</u>	<u>117,982</u>
Gross loans and advances and other assets	<u>154,093</u>	<u>117,982</u>

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, 2020 HK\$'000	31st December, 2019 HK\$'000
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	307	332
One year or less but over three months	929	920
Five years or less but over one year	5,198	5,147
Over five years	2,733	3,405
	9,167	9,804

12. Financial Assets at Fair Value through Profit or Loss

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	26,274	42,275
– listed outside Hong Kong, at fair value	18,633	19,812
	44,907	62,087
Equity securities at fair value:		
– listed in Hong Kong	132,529	128,273
– listed outside Hong Kong	336,317	494,953
	468,846	623,226
Investment funds:		
– listed outside Hong Kong, at fair value	43,924	112,750
– unlisted, at quoted price	347,368	349,884
	391,292	462,634
Total	905,045	1,147,947

Notes to the Interim Financial Statements (Unaudited)

12. Financial Assets at Fair Value through Profit or Loss (continued)

The financial assets 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, 2020 HK\$'000	31st December, 2019 HK\$'000
Banks and other financial institutions	80,335	133,453
Corporate entities	824,710	1,014,494
	905,045	1,147,947

The above securities and investment funds as at 30th June, 2020 and 31st December, 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

13. Insurance Receivables

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Amounts due in respect of:		
Direct underwriting	237,726	135,355
Reinsurance accepted	96,806	121,282
	334,532	256,637
Less: Impairment	(10,217)	(5,577)
	324,315	251,060

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 within 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 aging 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, 2020 HK\$'000	31st December, 2019 HK\$'000
Three months or less	272,797	216,283
Six months or less but over three months	57,935	36,285
One year or less but over six months	3,093	3,219
Over one year	707	850
	334,532	256,637
Less: Impairment	(10,217)	(5,577)
	324,315	251,060

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
At beginning of year	5,577	2,765
Impairment losses	4,640	3,300
Amount written off as uncollectible	–	(488)
	10,217	5,577

14. Cash and Cash Equivalents and Pledged Deposits

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Cash and bank balances	168,285	184,274
Time deposits with original maturity of over three months	44,035	44,928
Time deposits with original maturity of less than three months	3,184,157	3,137,400
	3,396,477	3,366,602
Pledged deposits	305,590	305,590
	3,702,067	3,672,192

15. Share Capital

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	1,500,000	1,500,000
Issued and fully paid:		
959,294,000 (2019: 960,840,000) ordinary shares of HK\$1 each	959,294	960,840

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1st January, 2020	960,840,000	960,840
Shares repurchased in Dec 2019 and cancelled in Jan 2020	(148,000)	(148)
Shares repurchased and cancelled (<i>note</i>)	(1,398,000)	(1,398)
At 30th June, 2020	959,294,000	959,294

Note:

During the period ended 30th June, 2020, a subsidiary of the Company repurchased 4,354,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$2.90 to HK\$4.00 per share at a total consideration of HK\$15,521,000 (including expenses). Out of which, 1,398,000 repurchased shares were cancelled. The premium of HK\$4,000,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$1,398,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the consolidated statement of changes in equity.

The remaining 2,956,000 shares with cost of HK\$10,123,000 were classified as treasury shares at 30th June, 2020 and were subsequently cancelled in July 2020.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 7,044,000 ordinary shares of the Company from the market at prices ranging from HK\$3.40 to HK\$3.58 per shares at a total amount of HK\$24,876,000 (including expenses). As at the date of this report, the number of issued shares of the Company is 949,294,000 shares.

16. Insurance Payables

An aging analysis of the insurance payables based on the invoice date, as at the end of the reporting period, is as follows:

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Three months or less	98,312	138,495
Six months or less but over three months	39,872	23,820
One year or less but over six months	11,919	16,985
Over one year	32,808	27,799
	182,911	207,099

17. Interest-bearing Bank Borrowing

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Interest-bearing bank loan, secured	–	100,000

At 31st December, 2019, the Group's bank loan is denominated in Hong Kong dollars and secured by the pledge of certain bank deposits and equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with fair value of not less than HK\$100,000,000. The Group fully repaid the bank loan together with the accrual loan interest on the maturity date, 29th January, 2020.

18. Commitments

The Group had capital commitment as follows:

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Contracted, but not provided for:		
Acquisition of computer hardware and software	615	4,109

19. Operating Lease Arrangements

As Lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits.

At 30th June, 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Within one year	3,472	6,645
After one year but within two years	226	558
After two years but within three years	–	20
	3,698	7,223

20. Related Party Transactions

(a)

	30th June, 2020		31st December, 2019	
	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	–	1,960	–	1,922
Interbank activities:				
Deposits placed	–	829,199	–	864,747

20. Related Party Transactions (continued)

(a) (continued)

	Six months ended 30th June, 2020		Six months ended 30th June, 2019	
	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	–	7,141	–	9,912
Premium income:				
Gross premiums written	256	6,648	285	6,608
Commission expense, net	–	2,264	–	651
Compensation:				
Salaries and short-term employee benefits	6,498	–	6,801	–
Pension scheme contributions	275	–	281	–

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

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

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
Commission expenses paid	360	–

Notes to the Interim Financial Statements (Unaudited)

20. Related Party Transactions (continued)

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

	30th June, 2020 HK\$'000	31st December, 2019 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, 2020 HK\$'000	2019 HK\$'000
Loans and advances granted:		
Interest income	873	870
Commission expense paid	5,139	2,828

21. Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, amounts due from associates, financial assets included in loans and advances and other assets, insurance receivables, insurance payables, amounts due to associates and other liabilities approximate to their carrying amounts.

Assets measured at fair value:

	Quoted prices in active markets (Level 1) HK\$'000	Fair value measurement using		Total HK\$'000
		Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 30th June, 2020				
Equity investments designated at fair value through other comprehensive income	508,581	677,607	3,410,959	4,597,147
Financial assets at fair value through profit or loss	434,053	470,992	–	905,045
	942,634	1,148,599	3,410,959	5,502,192

21. Fair Value Hierarchy of Financial Instruments (continued)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31st December, 2019				
Equity investments designated at fair value through other comprehensive income	788,862	870,197	4,142,407	5,801,466
Financial assets at fair value through profit or loss	654,856	493,091	–	1,147,947
	<u>1,443,718</u>	<u>1,363,288</u>	<u>4,142,407</u>	<u>6,949,413</u>

During the periods ended 30th June, 2020 and 30th June, 2019, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

The movement in fair value measurement within level 3 during the period ended 30th June, 2020 is as follow:

	HK\$'000
At 1st January, 2020	4,142,407
Purchase during the period	22,867
Net loss recognised in other comprehensive income	<u>(754,315)</u>
At 30th June, 2020	<u>3,410,959</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 equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using market-based valuation techniques based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple, price to book value multiple and price to embedded value multiple, for each comparable company identified. The multiple is calculated by dividing the price of the comparable company by an earnings or book/embedded value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to the Interim Financial Statements (Unaudited)

21. Fair Value Hierarchy of Financial Instruments (continued)

Below is a summary of significant unobservable inputs to the valuation of principal financial instruments as at 30th June, 2020:

	Valuation technique	Significant unobservable input	Range/ weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount of lack of marketability	0%– 40%	20% increase/(decrease) in discount would result in (decrease)/increase in fair value by HK\$310,524,000
		Price to book value multiple	1.00 – 1.20	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$8,017,000
		Price to earnings before interest and tax (“EBIT”) multiple	13.65 – 25.98	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$1,391,000
		Price to earnings multiple	2.57 – 37.99	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$70,429,000
		Price to embedded value multiple	0.22 – 1.81	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$414,900,000

The discount for lack of marketability represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

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 outbreak of COVID-19 in early 2020 has impacted the business environment in Hong Kong, Mainland China and elsewhere. The economic disruption may impact parts of the Group's client base. It also triggered the most severe recession in over a century, which in turn affects valuations and the yields of the Group's investment assets. The Group is exposing to the changes in fair value affected by deteriorating economic market under COVID-19 as most of the Group's financial assets are marked to market measured at fair value.

In response to uncertainties associated with the COVID-19 pandemic, the Group has taken and is continuing to maintain a sensible and watchful approach towards portfolio management; and tightening credit control procedures by following up with status of the outstanding balances and financial conditions of the business counterparties actively.

The Group is implementing contingency and business continuity measures to protect the health and safety of all staff while ensuring that business continuous as normal as possible.

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, loans and advances and other assets, amounts due from associates and insurance receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.



Financial Risk Management Objectives and Policies (continued)

(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.

(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 associates and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 30th June, 2020, 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.

Financial Risk Management Objectives and Policies (continued)**(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.

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent 97% 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 financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 30th June, 2020. 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, 2020.

Directors’ and Chief Executive’s Interests in Shares

As at 30th June, 2020, the interests of the Company’s directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, 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	Approximate % of the Company’s issued share capital ⁽¹⁾
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
CHAN Yau Hing Robin	–	–	569,999,712 ⁽²⁾	569,999,712	59.42
CHAN Bernard Charnwut	1,912,680	–	8,830,000 ⁽³⁾	10,742,680	1.12
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 959,294,000 shares in issue as at 30th June, 2020.

(2) Dr. CHAN Yau Hing Robin was deemed to be interested in 569,999,712 shares. Out of the 569,999,712 shares, (i) 566,069,712 shares were held through Claremont Capital Holdings Ltd (“Claremont Capital”), (ii) 3,097,000 shares were held through Asia Panich Investment Company (Hong Kong) Limited (“Asia Panich”) and (iii) 833,000 shares were held through Man Tong Company Limited (“Man Tong”). More than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong are held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Dr. CHAN Yau Hing Robin.

(3) Mr. CHAN Bernard Charnwut was deemed to be interested in 8,830,000 shares that were held through Robinson Enterprise Holdings Limited which was 38% held by Mr. CHAN Bernard Charnwut and his spouse.

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, 2020, 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, 2020, 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	Approximate % of the Company's issued share capital ^(a)
Cosmos Investments Inc.	(b), (c)	569,999,712	59.42
Claremont Capital Holdings Ltd	(b)	566,069,712	59.01
Bangkok Bank Public Company Limited		95,488,236	9.95
Sompo Holdings, Inc.	(d)	91,759,753	9.57
Sompo Japan Insurance Inc. (formerly known as Sompo Japan Nipponkoa Insurance Inc.)	(d)	91,759,753	9.57
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.48

Notes:

- (a) Based on 959,294,000 shares in issue as at 30th June, 2020.
- (b) These shares have been included in the interest disclosure of Dr. CHAN Yau Hing Robin as set out in the section "Directors' and Chief Executive's Interests 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 Insurance Inc. ("SJII") is a wholly-owned subsidiary of Sompo Holdings, Inc. ("SHI") and accordingly, the shares in which SJII is shown as interested are included in the shares in which SHI is shown as interested.

Save as disclosed above, as at 30th June, 2020, 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, 2020, a subsidiary of the Company repurchased a total of 4,354,000 ordinary shares of the Company on the Stock Exchange at an aggregate purchase price of approximately HK\$15,491,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the reporting period and after the end of 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	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jan 2020	918,000	4.00	3.84	3,593
Feb 2020	422,000	3.85	3.83	1,624
Mar 2020	58,000	2.90	2.90	168
Jun 2020	2,956,000	3.50	3.35	10,106
	<u>4,354,000</u>			<u>15,491</u>

Subsequent to the end of the reporting period and up to the date of this report, a total of 7,044,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$24,810,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 15th July, 2020, 24th July, 2020 and 30th July, 2020 respectively. Details of the ordinary shares repurchased on the Stock Exchange after the end of the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jul 2020	7,044,000	3.58	3.40	24,810

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 and after the end of the reporting period. As at the date of this report, the number of issued ordinary shares of the Company is 949,294,000 shares.

The purchase of the Company's shares during the reporting period and after the end of the reporting period was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2019 and 2020 respectively. 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, 2020 and up to the date of this report.

Other Information

Changes in Directors' Information

There have been changes in the information related to the Company's directors since the date of its Annual Report 2019. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

In the Annual General Meeting held on 22nd May 2020, the directors proposed and the shareholders resolved that all executive directors of the Company are not entitled to the Committee members' fee of HK\$30,000 for each committee per annum ("committee fee") for the year ending 31st December, 2020. The emoluments of certain directors would be changed accordingly, particulars as below:

- (1) Mr. CHAN Bernard Charnwut, G.B.S., J.P., being a member of the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee, will not be entitled to receive committee fee of HK\$120,000 in total for the year ending 31st December, 2020; and
- (2) Mr. TAN Stephen, being a member of the Compliance Committee, will not be entitled to receive a committee fee of HK\$30,000 for the year ending 31st December, 2020.

Mr. TAN Stephen has been appointed as a member of the Board of Governors of Hong Kong Sinfonietta Limited on 1st April, 2020.

Mr. WONG Kok Ho has been appointed as the President of Asia Insurance (Philippines) Corporation on 20th August, 2020.

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, 2020.

Non-Compliance with Rule 3.21 of the Listing Rules

Rule 3.21 of the Listing Rules provides, inter alia, that every listed issuer must establish an audit committee comprising non-executive directors only. On 5th December, 2019, the Board appointed two executive directors namely Mr. CHAN Bernard Charnwut and Mr. WONG Kok Ho as members of the Audit Committee of the Company with effect from 1st January, 2020. As a result, the Audit Committee comprised not only non-executive directors from 1st January, 2020. The Company rectified this as soon as it noticed the non-compliance. Both Mr. CHAN Bernard Charnwut and Mr. WONG Kok Ho ceased to be members of the Audit Committee of the Company with effect from 26th February, 2020. After this, the Audit Committee comprised non-executive directors only and in compliance with Rule 3.21 of the Listing Rules.

