



亞洲金融
Asia Financial

Stock Code : 662

A Focus on
Coverage
and Care



ANNUAL REPORT 2014

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Corporate Information

Board of Directors

Executive Directors

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

Non-Executive Directors

SOPHONPANICH Choedchu
NG Song Hin
CHAN Yeow Toh
YAMAGUCHI Yoshihiro
TANAKA Junichi

Independent Non-Executive Directors

CHOW Suk Han Anna
MA Andrew Chiu Cheung
SIAO Chi Lam Kenneth
WONG Yu Hong Philip
LAI KO Wing Yee Rebecca

Audit Committee

MA Andrew Chiu Cheung (*Chairman*)
CHOW Suk Han Anna
SIAO Chi Lam Kenneth
LAI KO Wing Yee Rebecca

Compliance Committee

CHOW Suk Han Anna (*Chairman*)
MA Andrew Chiu Cheung
SIAO Chi Lam Kenneth
LAI KO Wing Yee Rebecca
CHAN Bernard Charnwut
TAN Stephen

Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairman*)
CHOW Suk Han Anna
MA Andrew Chiu Cheung
CHAN Bernard Charnwut

Nomination Committee

CHOW Suk Han Anna (*Chairman*)
MA Andrew Chiu Cheung
LAI KO Wing Yee Rebecca
CHAN Bernard Charnwut

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

16th Floor, Worldwide House
19 Des Voeux Road Central
Hong Kong
Tel : (852) 3606 9200
Fax : (852) 2545 3881
Website : www.afh.hk
Email : contactus@afh.hk

Principal Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Company Secretary

LAU Chi Tak

Principal Bankers

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

Legal Advisers

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

Share Listing

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



Asia Financial achieved net profit attributable to shareholders of HK\$365.5 million in 2014, a 35.0% increase on the HK\$270.7 million reported in 2013. This result is due to realised and unrealised year-on-year gains in the value of portfolio and other investments, and continued growth in underwriting profit. Overall returns from joint ventures and associates showed satisfactory performance.

CHAN Yau Hing Robin
Chairman

Economic Background

The global economy remained largely weak during 2014 as it continued its long and often uncertain cyclical recovery from recession. Steady growth has finally returned to the United States, but Europe and Japan showed signs of deflation and the Chinese economy continued to slow down after a period of debt-and-investment-led expansion. Globally, investor and consumer confidence remained poor and interest rates remained at very low levels. Hong Kong showed GDP expansion slowed to 2.3% for the year, although employment and consumption held up.

Loose monetary policy around the world continued to help lift many asset prices during the year, notably in the United States, where the S&P500 ended the year up 11.4%. Chinese equities also performed well, with H Shares rising 10.8% during the year. However, the Hang Seng Index rose just 1.3%, reflecting the poor outlook for the broader world economy; this had a dampening effect on Asia Financial's investment income. Continued growth in Hong Kong's economy supported growth in insurance operations.

Management Approach and Future Prospects

There are reasons to be cautiously confident about the global outlook in the year ahead. On the one hand, asset prices cannot receive support from central banks' quantitative easing indefinitely. However, a stronger dollar and falling unemployment in the US should boost US consumption. Along with declines in world commodity prices, this should be positive for Asian export trade and mainland China's continued adjustment to a new slower-growth model. We hope to see reasonable growth in most of the economies and markets that affect Asia Financial's performance.

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

Asia Financial's expenses and other income for 2014 reflected steady management costs and income from dividends. We will be alert to upward pressure on costs should consumer price inflation remain strong in Hong Kong during 2015.

Management Approach and Future Prospects (cont'd)

The outlook for our insurance operations is generally positive, thanks to the underlying economic strength of our main markets and management efforts to develop the scope of the business and the quality of its client base. The Company will remain alert to possible new opportunities in health care coverage reforms in Hong Kong and in other health-related demographic and geographical sectors.

Our focus will remain very much on the long term, which we believe offers attractive future opportunities arising from the continued positive economic development in much of the East Asian region. In addition to ongoing plans for investments in various health-related projects mentioned in Management Discussion and Analysis, we will continue to seek opportunities to build our interests in livelihood-related service industries such as insurance, retirement, health and wellness and property development, focused on Greater China and elsewhere in Asia. This choice of investment segments is based upon the transformation of the Greater China/East Asia region as a large middle class comes into being, societies age and governments seek market-based solutions to demographic policy challenges. This is the long-term environment on which Asia Financial's management focuses.

Our existing base of investments fits well with our traditional expertise and networks of clients and partners, and is well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

CHAN Yau Hing Robin

Chairman

Hong Kong, 24th March, 2015



Management Discussion and Analysis

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

Profit attributable to equity holders of the Company:	HK\$365.5 million	+35.0%
Earnings per share:	HK35.9 cents	+35.0%
Final dividend per share:	HK5.0 cents	+11.1%
Total dividend per share:	HK8.0 cents	+33.3%

Asia Financial Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “Asia Financial” or the “Group”) achieved net profit attributable to shareholders of HK\$365.5 million in 2014, a 35.0% increase on the HK\$270.7 million reported in 2013. This result is due to realised and unrealised year-on-year gains in the value of portfolio and other investments, and continued growth in underwriting profit. Overall returns from joint ventures and associates showed satisfactory performance.

Overview by Investment Segments

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved profit attributable to shareholders of HK\$300.7 million, a 39.7% increase on the previous year. Turnover declined by 11.6%, largely as a result of increased competition, notably in liability, medical and property segments. Despite this, underwriting profit reached HK\$113.2 million, representing a healthy increase of 13.6%, reflecting the underlying market strength of the business and a continued focus on high-quality business. (All the above figures are before elimination of intergroup transactions.) This performance was also helped by continued strength of sectors such as construction in the local and regional economy, and a lack of exposure to any major natural disasters during the reporting period.

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

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

Asia Insurance’s securities holdings experienced year-on-year gains in valuations, helped in particular by unrealised gains in key strategic holdings and stable dividend and interest income. Portfolio performance was otherwise largely stable, in line with a cautious strategy in light of market uncertainty. This meant a focus on good-quality equities and bonds in anticipation of new opportunities arising from interest-rate rises in the medium term. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

The 7.2% rise in expenses was largely due to upward pressure in the cost in Hong Kong of many general and professional services. Asia Insurance otherwise successfully kept costs under control and in line with market pay levels.

The main potential problem for Asia Insurance’s core business (and indeed for Hong Kong as a whole) would be a major slowdown in the Mainland or wider regional economy. Otherwise, core underwriting in 2015 looks likely to face similar challenges as in 2014, notably fiercer competition on pricing in the market and possibly a weakening of Hong Kong consumption levels. Asia Insurance is well positioned to meet such challenges. It will continue to use its risk-management capabilities to optimize the mix of business segments. And we will retain our long-term focus on maintaining and enhancing our sound reputation among a steadily expanding base of quality clients in the Hong Kong and regional general insurance market.

Overview by Investment Segments (cont'd)

Insurance (cont'd)

In December 2014, Asia Insurance joined several partners including Sirius International Insurance Corporation of Sweden, Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited and Sompo Japan Nipponkoa Reinsurance Company Limited in forming BE Reinsurance Limited, with paid-up capital of HK\$500 million. The new venture will enable Asia Insurance to expand the international scope of its reinsurance activities, complementing the success of BC Reinsurance Limited.

We also see possible new sources of growth arising in time from the Hong Kong government's proposed measures to expand personal health care coverage, although this policy still faces some political uncertainty.

Prospects for portfolio investments reflect the wider global picture, and management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment all performed satisfactorily. BC Reinsurance Limited saw a healthy gain in investment income in line with equities market, and experienced steady underwriting profit. Hong Kong Life Insurance Limited's profit narrowed slightly, reflecting lower interest income. The People's Insurance Company of China (Hong Kong), Limited reported continued steady performance, while Professional Liability Underwriting Services Limited saw a decline in profit.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. It now ranks fifth in the Chinese market and operates a network of some 2,151 offices. PICC Life reported RMB80.2 billion in premium income for 2014, a 6.5% increase over 2013. All other business performance and risk control indicators showed positive and healthy figures. PICC Life's insurance liability reserves and solvency ratio were maintained at adequate levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 15.3% of our total assets.

Other Portfolio Investment

Year-on-year realised and unrealised gains on trading investments fell slightly compared with 2013. This largely reflected the very moderate gains made by the Hang Seng Index during the period and relatively cautious asset allocation. Income from non-trading investments and other income more than compensated for this. This included the proceeds from the sale of Suzhou property interests, conversion of our holding in convertible note and healthy dividends from strategic holdings. Net interest income declined owing to the disposal of bond holdings.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments are of investment grade or above.

Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

Health Care and Wellness

Our 3.6% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok remains one of our best performing investments, with its valuation rising 60.3% in 2014. This reflects market recognition of Bumrungrad's continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

Overview by Investment Segments (cont'd)

Health Care and Wellness (cont'd)

In March 2014, Asia Financial announced the acquisition of a stake in Ulaanbaatar Songdo Hospital (“UBSD”), one of the leading hospitals in the capital of Mongolia. Our stake comprises a 20% share in a consortium with Bumrungrad. The consortium is taking a 51% stake in UBSD, which we hope will start to contribute returns during the year ahead. This is an opportunity to participate in significant growth in Mongolia’s healthcare sector and an attractive long-term addition to our portfolio of investments in regional companies focusing on personal coverage and care services.

In October 2014, Asia Financial opened a wholly owned wellness centre aimed at the over-50s. The Kinnet, in the Sheung Wan district adjacent to Central, offers an extensive range of age-specific facilities and activities to nurture the physical, mental and emotional well-being of clients. Facilities include a well-equipped fitness centre, studios and a café. The venture benefits from a board of respected advisors in relevant health and social fields. Following its launch, the Kinnet has been successfully developing its client base.

This will be a long-term project seeking to serve Hong Kong’s growing senior population. We see very attractive prospects in Hong Kong and possibly elsewhere in serving this developing market. As a producer of future operating income, it will also help diversify Asia Financial’s investment base.

We continue to foresee good prospects in the health and wellness sectors in the region, owing to long-term demographic and policy trends, and we continue to consider further opportunities, including possibly in Mainland China.

Pension and Asset Management

The Group’s holding in joint venture, Bank Consortium Holding Limited (“BCH”) enjoyed healthy profit growth in 2014, and for the third year declared a dividend. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong and is increasing its fee income by providing back-office services to other players.

Property Development

The Group’s interests in real estate are focused on Shanghai and represent 3.4% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake.

Sales of Phase 2 of the project are now mostly complete, yielding share of profits of HK\$14.3 million booked in 2014. Demand for the remaining units is anticipated to be good.

Construction work is expected to start on Phase 3 in the second half of 2015, and application for sales permits should take place in the second half of 2016. Foundation work has been completed on a smaller lot of land in the same district, and construction on schedule for sales to begin in the second quarter of 2015. Sales revenue will be booked after 2015.

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

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2014 amounted to HK\$2,172,877,000 (2013: HK\$1,566,933,000).

The Group had a bank borrowing of HK\$150,000,000 as at 31st December, 2014 (2013: HK\$200,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2015 and charged at 1.15% over the 3-month Hong Kong Interbank Offered Rate per annum.

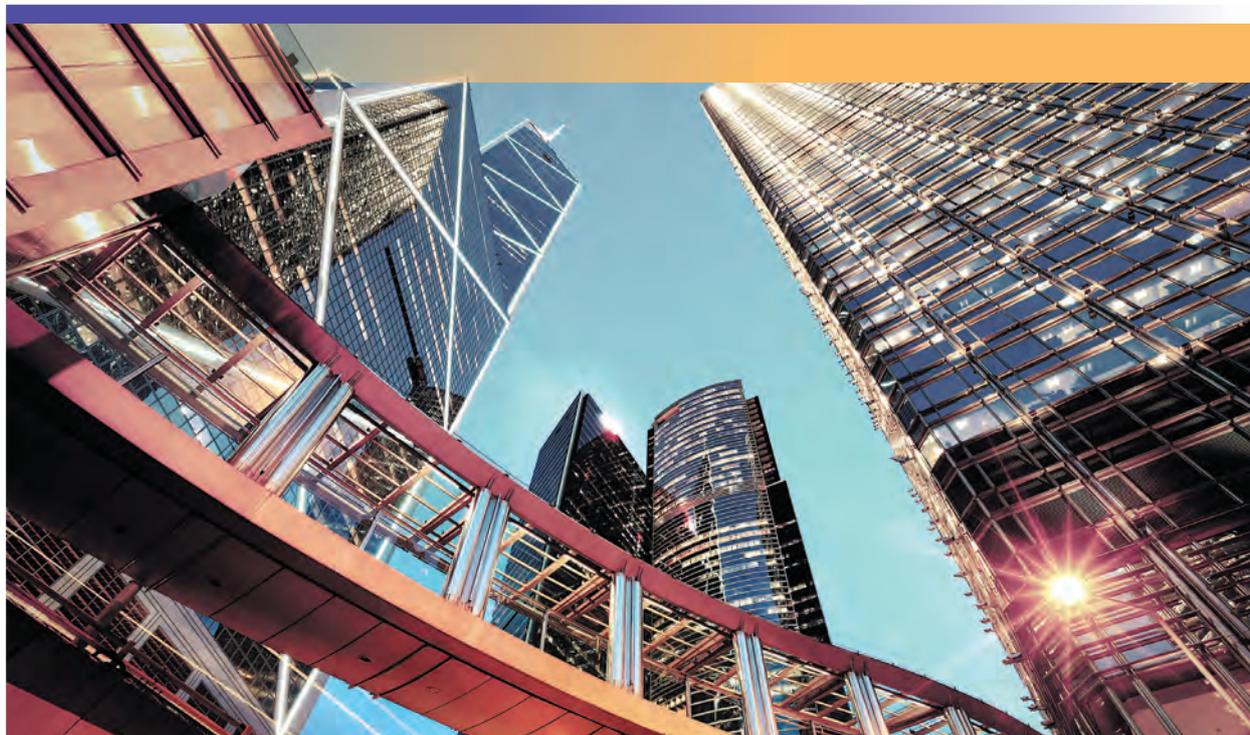
No gearing ratio was calculated as the Group had no net debt as at 31st December, 2014. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to associates and a joint venture, interest-bearing 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 31st December, 2014, Asia Insurance charged assets with a carrying value of HK\$128,853,000 (2013: HK\$127,981,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2013: HK\$200,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (2013: HK\$200,000,000).



Contingent Liabilities

As at 31st December, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.7 million) (2013: RMB112.5 million) issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of a 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2014 was 281 (2013: 261). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

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

Corporate Social Responsibility Report

Asia Financial takes pride in being recognized as a “Caring Company” for the 12th consecutive year since 2003 and in continuing to contribute to community programmes where we can add value. As our business grows, we are determined to nurture an ethos of good corporate citizenship among our workforce and within the workplace.



Apart from providing a quality workplace and promoting environmental protection, we continue to honour our commitment to the wider community and develop partnerships with social service organizations and social enterprises. These provide a framework for our Group to contribute time and help to the community in contexts where we can make a real difference.

Environmental Protection

Asia Financial believes a healthy natural environment is essential to sustainable economic progress and the well-being of all people. We strive to be a pioneer in environmental best practices and complying with regulatory requirements – and exceeding them wherever possible. We have an active carbon footprint management strategy and are committed to reducing greenhouse gas emissions in the long run.

Carbon Footprint Management Strategy

Since 2010, Asia Financial has implemented continuous measurement and re-evaluation of its emission profile. By defining the operational boundary and sources of emission, Asia Financial measures its carbon footprint and adopts plans to reduce carbon emissions every calendar year. As a result, the carbon footprint has decreased despite continuous business growth over the past several years.

By continuously monitoring carbon emissions, Asia Financial evaluates the costs and benefits of the carbon management plan and can therefore quantify savings in both operational costs and carbon emissions.

Comparison of Greenhouse Gas Emissions[#] for 2009-14 (CO₂-e, tonnes)

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

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

Summary on Greenhouse Gas Reduction

1. Reduction on carbon emission despite business growth

As a result of organic growth, total revenue of Asia Financial reached HK\$1,280 million in 2014, an increase of 60% over the base year 2009. Although the increase in business activities inevitably increased some categories of carbon emission, we were able to reduce greenhouse gas emissions from 975 to 852 tonnes of CO₂-e during 2009-14.

2. Staff engagement played a role

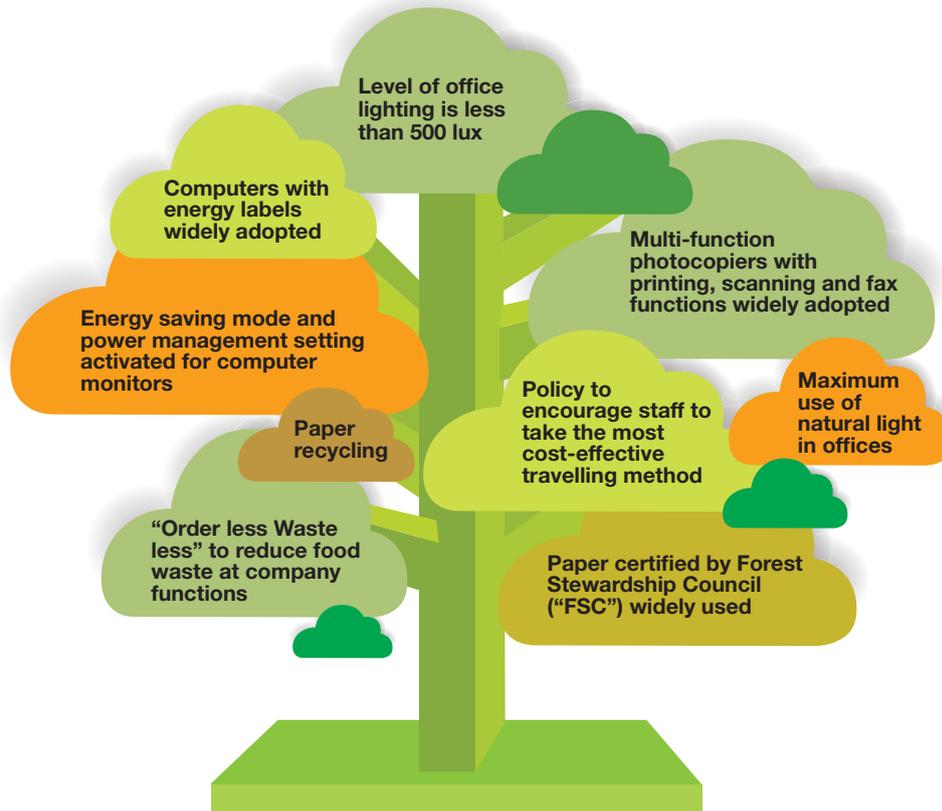
The participation of employees is essential to the success of our green office programmes. These include a “Switch-off” policy for all idle equipment, encouragement for staff to switch off computers and monitors at the end of a working day, and switching all electrical appliances off (or, where appropriate, on to energy-saving mode) when not in use.

3. Use of energy efficient lighting & appliances reduced emission

The technologies produce different lighting effects and energy consumption levels. Since 2009, Asia Financial has replaced T8 fluorescent lamps with T5 fluorescent lamps, and 12V50W spotlights with 3W LED spotlights in all its local offices. This resulted in an 11.7% reduction in carbon emissions through electricity used during 2009-14.

4. Other Environmental Practices

We have also adopted the following measures to reduce carbon emission.



Corporate Social Responsibility Report

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

Our wholly-owned subsidiary, Asia Insurance is proud to have become the first carbon-neutral insurance company in Greater China as of 2009. It offsets all its emissions to become carbon-neutral by sponsoring an Afforestation & Reforestation project on degraded lands in Sichuan, China.



Asia Financial – Green Office Award Label

Asia Financial Holdings Limited was awarded the Green Office Award Label by the World Green Organization in 2014.

Community Investment

Donation & Sponsorship

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

In 2014, Asia Financial, Asia Insurance and the Foundation devoted financial resources (mainly through donations and sponsorships) by supporting non-profit-making organizations locally and overseas.

Donation & Sponsorship Made in 2014	Compared with 2013
HK\$7.78 million	+21.0%



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

Community Involvement – Partnership with Social Enterprises

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



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

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

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

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



By the end of February 2015, more than 60 families have moved to the 27 “light homes”. Their living standards have visibly improved and they have new hope for the future.

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

Diamond Cab – Barrier-free Taxi Service

This is a social venture providing point-to-point transportation services for wheelchair users. It provides not only unprecedented wheelchair-accessible and barrier-free taxi services, but top quality standards of professional transportation for people in need. This taxi service has been receiving an overwhelming response from the general public.



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

Corporate Social Responsibility Report

Community Involvement – Staff Volunteering

We organize a series of volunteering programmes every year to reflect the importance of community life to us on both individual and corporate levels; these activities extend beyond the provision of financial sponsorship to organizations. At the heart of these efforts is the voluntary work undertaken by individual members of staff within our local communities. With the cooperation of Evangelical Lutheran Church Social Service – Hong Kong and the Tung Wah Group of Hospitals, we arranged several activities in 2014 to bring love and care to children and senior citizens.

Volunteer Service Statistics for 2014

Total number of volunteers	Total service hours
146	741

In October 2014, Asia Insurance volunteers participated in the “2014 Love Overflows” programme to visit the elderly at Wilson T.S. Wang District Elderly Community Centre of the Tung Wah Group of Hospitals.



In November 2014, Asia Financial staff volunteers joined the Evangelical Lutheran Church Social Service’s Tuen Mun Integrated Youth Service Centre to organize the “independent DIY” service programme. Through the provision of practical learning and experience, about 30 children from Po Tin Estate had a chance to gain in self-confidence in order to meet the challenges of the future. The children also learned about environmental protection by visiting the Mapopo Community Farm.

Corporate Governance Practices

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

Compliance with Corporate Governance Code

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31st December, 2014.

Directors’ Securities Transactions

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

The Company, after having made specific enquiry with all directors, confirms that all directors have complied with the required standards as set out in the Code of Conduct and the Model Code throughout the year ended 31st December, 2014.

Board of Directors

Board Composition

The Board currently comprises 14 members, consisting of 4 executive directors (including the Chairman and the President), 5 non-executive directors (“NEDs”) and 5 independent non-executive directors (“INEDs”). NEDs and INEDs provide the Group with a wide range of expertise and experience as well as checks and balances to safeguard the interests of the shareholders. Members of the Board, who come from a variety of different backgrounds, have a diverse range of business and professional expertise. The biographical details of the directors and the relationship among them are set out in pages 34 to 37 of this annual report. The list of directors of the Company and their roles and functions is also posted on the websites of the Company and the Stock Exchange.

Corporate Governance Report

Board of Directors (cont'd)

Board Composition (cont'd)

An analysis of the Board's current composition as at 31st December, 2014 is as follows:

		Number of Directors	
Designation	ED	4	28%
	NED	5	36%
	INED	5	36%
Gender	Male	11	79%
	Female	3	21%
Age group	71 or over	4	29%
	61-70	5	35%
	51-60	4	29%
	50 or under	1	7%
Nationality	Chinese	10	71%
	Non-Chinese	4	29%
Directorship with Asia Financial (years)	Over 20	4	29%
	10-19	4	29%
	1-9	5	35%
	Under 1	1	7%
Other listed company directorships	0	8	57%
	1	1	7%
	2	3	22%
	4	2	14%

Induction for Directors

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

Appointment and Re-election of Directors

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

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

Board of Directors (cont'd)

Appointment and Re-election of Directors (cont'd)

During the year ended 31st December, 2014, Mr. LAU Ki Chit retired as NED of the Company and Mr. TANAKA Junichi was appointed as NED. In addition, Dr. CHAN Yau Hing Robin, Mr. WONG Kok Ho, Mr. SOPHONPANICH Choedchu, Mr. SIAO Chi Lam Kenneth, Dr. WONG Yu Hong Philip and Mr. YAMAGUCHI Yoshihiro were re-elected as directors at the 2014 AGM. Other than 2 executive directors, those NEDs (including INEDs) were re-appointed for a term of approximately 2 years from 7th May, 2014 until the conclusion of the Company's AGM to be held in 2016.

Role and Function of the Board

The Board is empowered to manage and conduct the businesses and affairs of the Group and is responsible for determining the Group's overall corporate objectives, business strategies and operational policies. The Board is also required to ensure the Group's operations are conducted prudently and complied with specific corporate governance requirements and appropriate framework of laws and regulatory guidelines.

Chairman and President

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

Non-executive Directors and Independent Non-executive Directors

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

More than one-third of the members of the Board consist of INEDs and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each INED an annual confirmation of his/her independence for the year ended 31st December, 2014 pursuant to the criteria as set out in Rule 3.13 of the Listing Rules. The Board has affirmed that all the INEDs continue to be independent.

Board Meetings

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

Directors are required to make their best efforts to attend the Board meetings in person. Otherwise, directors should try to participate the Board meetings via telephone conferencing.

Corporate Governance Report

Board of Directors (cont'd)

Board Meetings (cont'd)

During the year 2014, the Board held four meetings to discuss the business development and strategies of the Group. The Board monitored the financial and operational performance; approved the interim and annual results of the Group and approved interim dividend payment; recommended final dividend for shareholders' approval; proposed and recommended a candidate for election as a NED and accepted the retirement of a NED; reviewed and received the reports from the respective Board committees; approved the re-appointment of the retired Board committees' members and oversaw the Group's compliance with relevant legal and regulatory requirements.

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

Attendance Records of Directors

The attendance records of four Board meetings and the AGM of the Company held in 2014 are set out below:

Name of director	Board meetings	2014 AGM
<i>Executive Directors:</i>		
CHAN Yau Hing Robin (<i>Chairman</i>)	4/4	1/1
CHAN Bernard Charnwut (<i>President</i>)	4/4	1/1
TAN Stephen	4/4	1/1
WONG Kok Ho	4/4	1/1
<i>NEDs:</i>		
LAU Ki Chit*	2/2	1/1
SOPHONPANICH Choedchu	4/4	1/1
NG Song Hin	4/4	1/1
YAMAGUCHI Yoshihiro	4/4	1/1
CHAN Yeow Toh	4/4	1/1
TANAKA Junichi^	2/2	1/1
<i>INEDs:</i>		
CHOW Suk Han Anna	4/4	1/1
MA Andrew Chiu Cheung	4/4	1/1
SIAO Chi Lam Kenneth	4/4	1/1
WONG Yu Hong Philip	4/4	1/1
LAI KO Wing Yee Rebecca	4/4	1/1

* Retired on 7th May, 2014

^ Appointed on 7th May, 2014

Liability Insurance for Directors

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and the senior executives. In year 2014, no claim under the insurance policy was made.

Board of Directors (cont'd)

Directors' Training

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

In year 2014, the Company organised an in-house seminar conducted by a professional body for directors of the Company. The seminar covered certain update information on the Hong Kong Listing Rules. Written materials of the seminar were provided to the participated directors for reading and reference.

According to the records provided by all directors, which had been reviewed by the Compliance Committee in March 2015, a summary of their training received for the year ended 31st December, 2014 is as follows:

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

Delegation by the Board

Board Committees

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

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

Executive Committee

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

In year 2014, the Executive Committee held ten meetings and the attendance record of each executive director is set out below:

Name of executive director	Number of meetings attended/held	Attendance rate
CHAN Yau Hing Robin (<i>Chairman</i>)	10/10	100%
CHAN Bernard Charnwut (<i>President</i>)	7/10	70%
TAN Stephen	10/10	100%
WONG Kok Ho	10/10	100%

Delegation by the Board (cont'd)

Remuneration Committee

The Remuneration Committee was set up with specific terms of reference which are posted on the websites of the Company and the Stock Exchange. The Remuneration Committee comprises 4 members, three of whom are INEDs. The Remuneration Committee meets at least once each year with the Company's Head of Human Resources.

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

In year 2014, the Remuneration Committee held one meeting. The attendance record of each member is set out below:

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

During the year 2014, the Remuneration Committee had performed the following works:

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

Nomination Committee

The Nomination Committee was set up with specific terms of reference which are posted on the websites of the Company and the Stock Exchange. The Nomination Committee comprises 4 members, three of whom are INEDs. The Nomination Committee meets at least once each year.

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

Delegation by the Board (cont'd)

Nomination Committee (cont'd)

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

In year 2014, the Nomination Committee held one meeting. The attendance record of each member is set out below:

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

During the year 2014, the Nomination Committee had performed the following works:

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

Compliance Committee

The Compliance Committee was set up with specific terms of reference which are posted on the websites of the Company and the Stock Exchange. The Compliance Committee comprises 6 members, four of whom are INEDs. The Compliance Committee meets at least twice each year.

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

Corporate Governance Report

Delegation by the Board (cont'd)

Compliance Committee (cont'd)

In year 2014, the Compliance Committee held two meetings. The attendance record of each member is set out below:

Name of member	Number of meetings attended/held	Attendance rate
CHOW Suk Han Anna (<i>Chairman</i>)	2/2	100%
MA Andrew Chiu Cheung	2/2	100%
SIAO Chi Lam Kenneth	2/2	100%
LAI KO Wing Yee Rebecca	2/2	100%
TAN Stephen	2/2	100%
CHAN Bernard Charnwut	1/2	50%

During the year 2014, the Compliance Committee had performed the following works:

- reviewed and monitored the reports and works done by Internal Audit and Compliance Department and the external consultant respectively on the Group's compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- reviewed the training records of directors and company secretary;
- reviewed the complaint cases by the complaint officer of Asia Insurance;
- reviewed and recommended for the Board's approval the re-appointment of retired member of the Compliance Committee;
- submitted compliance reports to the Audit Committee; and
- submitted summary reports to the Board on overall compliance performance and corporate governance practices of the Group.

Audit Committee

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

The Audit Committee is responsible for reviewing, among other things, the Group's financial reporting, the nature and scope of audit, the effectiveness of the systems of internal control and risk management, and compliance relating to financial reporting. The Audit Committee is also responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the Group's external auditors.

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

Delegation by the Board (cont'd)

Audit Committee (cont'd)

The Audit Committee held three meetings in the year 2014. The attendance record of each member is set out below:

Name of member	Number of meetings attended/held	Attendance rate
MA Andrew Chiu Cheung (<i>Chairman</i>)	3/3	100%
SIAO Chi Lam Kenneth	2/3	67%
CHOW Suk Han Anna	3/3	100%
LAI KO Wing Yee Rebecca	3/3	100%

During the year 2014, the Audit Committee had performed the following works:

- reviewed the Group's interim and annual financial statements with respect to their truth and fairness and discussed with the external auditors;
- reviewed the changes in accounting standards and their impact on the Group's financial statements;
- reviewed the report from the external auditors;
- reviewed and recommended for approval by the Board the audit fees payable to the external auditors;
- reviewed and approved the internal audit co-sourcing arrangement with external consultant and recommended for approval by the Board the professional fee payable to the external consultant;
- reviewed and approved the Group's internal audit plan;
- reviewed the effectiveness of the Group's internal control systems;
- reviewed the internal audit findings and recommendations of both the internal auditor and the external consultant and the responses from the management;
- submitted summary reports on the resolved internal audit issues and internal control recommendations to the Board;
- reviewed the compliance reports from the Compliance Committee to monitor the Group's compliance with regulatory and statutory requirements;
- reviewed and recommended for the Board's approval the re-appointment of retired member of the Audit Committee; and
- reviewed the independence and objectivity of the external auditors and recommended for the Board's endorsement the re-appointment of the external auditors subject to the shareholders' approval at the Company's AGM.

Corporate Governance Report

Auditors' Remuneration

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

Services rendered	Fees paid/payable HK\$'000
Audit services	2,980
Non-audit services*	719
Total:	3,699

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

Accountability and Audit

Directors are responsible for overseeing the preparation of accounts of each financial period which give a true and fair view of the state of affairs of the Group and the Group's results and cash flows for that period. In preparing the accounts for the year ended 31st December, 2014, the directors selected suitable accounting policies and applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and prepared the accounts on the going concern basis.

The consolidated financial statements of the Company for the year ended 31st December, 2014 have been audited by the external auditors, Messrs. Ernst & Young, and reviewed by the Audit Committee. The directors acknowledged their responsibility for preparing the financial statements of the Group which were prepared in accordance with statutory requirements and applicable accounting standards.

Internal Control

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control covering all material controls, including financial, operational, compliance, and risk management controls. The internal control of the Group comprised a well-established organisational structure and comprehensive policies and guidelines.

In addition to the internal control system, the Board has maintained an Internal Audit and Compliance Department ("IACD") which reports directly to the Audit Committee and the Compliance Committee of the Company. IACD reviews and monitors the compliance with policies and guidelines and the effectiveness of internal control structures across the Group.

To complement the in-house internal audit team, the Company also engaged an external consultant during the year to assist in performing periodic internal audits and reviews on certain departments and business units across the Group. IACD and the external consultant presented the internal audit reports to the Audit Committee and the compliance reports to the Compliance Committee and would follow up on any action plans if required.

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

The Audit Committee has reviewed the effectiveness of the Company's internal control system and the resources allocated to internal control operations. The Audit Committee reported to the Board that they were satisfied with the internal control systems and also considered that adequate resources had been provided for the control and compliance works.

Professional Training of Company Secretary

The Company Secretary, Mr. LAU Chi Tak, confirmed that he undertook 25 hours of relevant professional training during the year 2014.

Remuneration of Directors and Senior Management

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

Information relating to the remuneration of each director for the year ended 31st December, 2014 is set out in note 7 to the financial statements.

Constitutional Documents

There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31st December, 2014. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company and the Stock Exchange.

Communications with Shareholders

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

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

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

The Company's last AGM was held at its principal place of business, 16th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong on Wednesday, 7th May, 2014. All the resolutions proposed at that meeting were approved by the shareholders by poll voting. Details of the poll results are available on both the Company's and Stock Exchange's websites.

The next AGM will be held on Wednesday, 20th May, 2015, the notice of which will be set out in the circular to shareholders to be sent together with the 2014 Annual Report on or about 20th April, 2015.

Shareholders' Rights

Convening a Special General Meeting

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

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

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

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

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

Making Proposals at Shareholders' Meeting

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

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

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

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

Nomination of Person for Director Election

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

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

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

Shareholders' Rights (cont'd)

Nomination of Person for Director Election (cont'd)

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

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

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

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

Sending Enquiries

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

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

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2014 and up to the date of this annual report as required by the Listing Rules.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st December, 2014.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in detail in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31st December, 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 41 to 128.

An interim dividend of HK3.0 cents per ordinary share, totalling HK\$30,576,000, was paid on 25th September, 2014.

The directors recommend the payment of a final dividend of HK5.0 cents per ordinary share, totalling approximately HK\$50,960,000 in respect of the year, which will be payable on or about 10th June, 2015 in cash to shareholders on the register of members of the Company on 2nd June, 2015. This recommendation has been incorporated into the financial statements as an allocation of the retained profits within the equity section in the Group's and the Company's statements of financial position. Further details of this accounting treatment are set out in note 11 to the financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and the investment properties of the Company and of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31st December, 2014, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$2,809,021,000, of which HK\$50,960,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account and capital reserve, in the amount of HK\$620,591,000 in aggregate, may be distributed in the form of fully paid bonus shares.

Five Years Financial Summary

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

Results

	Year ended 31st December,				
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	<u>1,279,625</u>	<u>1,448,080</u>	<u>1,321,365</u>	<u>1,079,847</u>	<u>964,312</u>
Profit/(loss) for the year	<u>373,653</u>	<u>275,207</u>	<u>406,035</u>	<u>(134,100)</u>	<u>271,563</u>
Profit/(loss) for the year attributable to:					
Equity holders of the Company	<u>365,507</u>	<u>270,731</u>	<u>403,796</u>	<u>(137,516)</u>	<u>268,819</u>
Non-controlling interests	<u>8,146</u>	<u>4,476</u>	<u>2,239</u>	<u>3,416</u>	<u>2,744</u>
	<u>373,653</u>	<u>275,207</u>	<u>406,035</u>	<u>(134,100)</u>	<u>271,563</u>

Assets, liabilities and non-controlling interests

	31st December,				
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Total assets	<u>9,961,152</u>	<u>9,245,573</u>	<u>8,621,164</u>	<u>7,411,645</u>	<u>7,325,260</u>
Total liabilities	<u>(3,014,259)</u>	<u>(2,970,153)</u>	<u>(2,397,980)</u>	<u>(1,999,603)</u>	<u>(1,762,614)</u>
Non-controlling interests	<u>(38,391)</u>	<u>(30,520)</u>	<u>(21,776)</u>	<u>(14,449)</u>	<u>(16,363)</u>
	<u>6,908,502</u>	<u>6,244,900</u>	<u>6,201,408</u>	<u>5,397,593</u>	<u>5,546,283</u>

Major Customers

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

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

Major Suppliers

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

Report of the Directors

Directors

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

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

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

TAN Stephen*

WONG Kok Ho*

LAU Ki Chit

(Resigned on 7th May, 2014)

SOPHONPANICH Choedchu

NG Song Hin

YAMAGUCHI Yoshihiro

CHAN Yeow Toh

CHOW Suk Han Anna**

MA Andrew Chiu Cheung**

SIAO Chi Lam Kenneth**

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

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

TANAKA Junichi

(Appointed on 7th May, 2014)

* *Executive directors*

** *Independent non-executive directors*

In accordance with Bye-law 87(2) of the Company's Bye-laws, Mr. CHAN Bernard Charnwut, Mr. TAN Stephen, Mr. NG Song Hin, Ms. CHAN Yeow Toh, Ms. CHOW Suk Han Anna, Mr. MA Andrew Chiu Cheung and Mrs. LAI KO Wing Yee Rebecca will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received an annual independence confirmation from each of the independent non-executive directors. The Board considers that all of them are independent.

Directors' Service Contracts

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

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

As at 31st December, 2014, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest				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	–	–	576,937,712 ⁽²⁾		576,937,712	56.61
CHAN Bernard Charnwut	1,382,334	–	–		1,382,334	0.14
WONG Kok Ho	810,000	430,000	–		1,240,000	0.12
NG Song Hin	–	–	11,571,827 ⁽³⁾		11,571,827	1.14
SOPHONPANICH Choedchu	1,055,107	–	–		1,055,107	0.10
CHOW Suk Han Anna	41,559	–	–		41,559	0.00

Notes:

- (1) Based on 1,019,200,000 shares in issue as at 31st December, 2014.
- (2) Out of the 576,937,712 shares, (i) 566,069,712 shares were held through Claremont Capital Holdings Ltd ("Claremont Capital"), (ii) 8,830,000 shares were held through Robinson Enterprise Limited, (iii) 1,205,000 shares were held through Asia Panich Investment Company (Hong Kong) Limited ("Asia Panich") and (iv) 833,000 shares were held through Man Tong Company Limited ("Man Tong"). More than one third of the issued share capital of Claremont Capital, Asia Panich and Man Tong are held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Dr. CHAN Yau Hing Robin.
- (3) Mr. NG Song Hin was deemed to be interested in 11,571,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. NG Song Hin.

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

Save as disclosed above, as at 31st December, 2014, none of the 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.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

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

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

As at 31st December, 2014, the following persons (other than the directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital ⁽¹⁾
Cosmos Investments Inc.	(2), (3)	568,107,712	55.74
Claremont Capital Holdings Ltd	(2)	566,069,712	55.54
Bangkok Bank Public Company Limited		95,488,236	9.37
Sompo Japan Nipponkoa Insurance Inc.		52,563,020	5.16
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.16

Notes:

- (1) Based on 1,019,200,000 shares in issue as at 31st December, 2014.
- (2) These shares have been included in the interest disclosure of Dr. CHAN Yau Hing Robin as set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- (3) Cosmos Investments Inc. was deemed to be interested in 568,107,712 shares in which 566,069,712 shares were held by Claremont Capital, 1,205,000 shares were held by Asia Panich and 833,000 shares were held by Man Tong since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong, respectively.

Save as disclosed above, as at 31st December, 2014, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Directors' Interests in Contracts

Save as disclosed in note 35(a) to the financial statements, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

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

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, or have any such rights been exercised by, any person during the year ended 31st December, 2014.

Directors' Interests in Competing Businesses

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

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

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

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

Brief Biographical Details of Directors and Senior Management Staff

Executive Directors:

Dr. CHAN Yau Hing Robin, G.B.S., LL.D., J.P., aged 82, is the Chairman and an executive director of the Company and Asia Insurance Company, Limited (“Asia Insurance”), a wholly-owned subsidiary of the Company. Dr. Chan has been working for the Group for 59 years. He is also a director of several other subsidiaries of the Company and a director of Claremont Capital Holdings Ltd, the controlling shareholder of the Company. Dr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. He was also conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in June 2013. Dr. Chan is the Life Honorary Chairman of The Chinese General Chamber of Commerce and the Vice Chairman of the All-China Federation of Returned Overseas Chinese. He is also the Founding Chairman and President of the Hong Kong Federation of Overseas Chinese Associations Limited, the Honorary Chairman of both the China Federation of Overseas Chinese Entrepreneurs and Federation of HK Chiu Chow Community Organizations Limited, and the Executive Vice Chairman of the China Overseas Chinese Entrepreneurs Association. Dr. Chan had been a Deputy to The National People’s Congress of the People’s Republic of China from March 1988 to February 2008. He has extensive experience in the banking industry and acts as an adviser to numerous other companies. Dr. Chan is also an independent non-executive director of K. Wah International Holdings Limited and Keck Seng Investments (Hong Kong) Limited, both of which are listed on the Stock Exchange. On 14th February, 2014, Dr. Chan resigned as an independent non-executive director of Chong Hing Bank Limited which is a listed company in Hong Kong. Dr. Chan is the father of Mr. TAN Stephen and Mr. CHAN Bernard Charnwut and is the brother of Mr. SOPHONPANICH Choedchu.

Mr. CHAN Bernard Charnwut, G.B.S., J.P., aged 50, is an executive director and the President of the Company and Asia Insurance. Mr. Chan is a member of the remuneration committee, the nomination committee and the compliance committee of the Company and also the Chairman of AFH Charitable Foundation Limited. Mr. Chan has been working for the Group for 25 years. He is the son of Dr. CHAN Yau Hing Robin, the brother of Mr. TAN Stephen and the nephew of Mr. SOPHONPANICH Choedchu. He graduated from Pomona College in California, U.S.A. In addition to directorships in other subsidiaries of the Company, Mr. Chan is a non-executive director of City e-Solutions Limited, an independent non-executive director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited and China Resources Enterprise, Limited, all of which are listed on the Stock Exchange. On 5th June, 2014, Mr. Chan resigned as a non-executive director of New Heritage Holdings Ltd. (now known as LVGEM (China) Real Estate Investment Company Limited) which is listed on the Stock Exchange. Mr. Chan is currently a director of PICC Life Insurance Company Limited, a director of Claremont Capital Holdings Ltd which is the controlling shareholder of the Company and an adviser to Bangkok Bank Public Company Limited, Hong Kong Branch. Mr. Chan has been elected a Deputy to The National People’s Congress of the People’s Republic of China since January 2008. He has also been appointed as a non-official member of the Executive Council of the HKSAR since July 2012. Mr. Chan was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2006. He is the Chairman of the Advisory Committee on Revitalisation of Historic Buildings, the Standing Committee on Judicial Salaries and Conditions of Service, the Committee on Reduction of Salt and Sugar in Food, the Steering Committee on Restored Landfill Revitalisation Funding Scheme and Hong Kong-Thailand Business Council. He is also a trustee of Pomona College, California U.S.A. and serves as the Chairperson of The Hong Kong Council of Social Service.

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

Executive Directors: (cont'd)

Mr. TAN Stephen, aged 61, has been an executive director of the Company since 30th May, 2006 and has been working for the Group for 28 years. He is a member of the compliance committee of the Company. In addition to directorships in other subsidiaries of the Company, Mr. Tan also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited, Hong Kong Life Insurance Limited, The Chinese General Chamber of Commerce. Mr. Tan is an independent non-executive director of Pioneer Global Group Limited and China Motor Bus Company, Limited, both of which are listed on the Stock Exchange. Mr. Tan serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce, the Chairman of the Cantonese Opera Development Fund Investment Committee of the HKSAR, the Incumbent Honorary President of Chiu Yang Residents Association Limited and the Manager of Chiu Yang Primary School of Hong Kong. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a founding member of both Hong Kong-Thailand Business Council and Hong Kong-Korea Business Council, a trustee of Outward Bound Trust of Hong Kong, a member of Rotary Club of The Peak and a founding member of Opera Hong Kong Limited. Mr. Tan had been a member of the finance subsector of the Election Committee, and is also a member of the Mega Events Fund Assessment Committee and an honorary adviser of the Hong Kong Baseball Association. Mr. Tan was educated in the U.S.A. and holds a bachelor's degree in Business Administration from Rutgers University, and a master's degree in Business Administration from St. John's University. He is the son of Dr. CHAN Yau Hing Robin, the brother of Mr. CHAN Bernard Charnwut and the nephew of Mr. SOPHONPANICH Choedchu.

Mr. WONG Kok Ho, aged 67, has been an executive director of the Company since 2nd May, 2007 and has served the Group for over 40 years. Mr. Wong is an executive director and the chief executive officer of Asia Insurance and a director of several other subsidiaries of the Company. Mr. Wong has extensive experience in the insurance industry. He sits on the boards of AFH Charitable Foundation Limited, AR Consultant Service (HK) Limited, BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited. In addition, Mr. Wong is an independent non-executive director of Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited. Mr. Wong was educated in Hong Kong and Deakin University, Melbourne, Australia and is a fellow member of The Chartered Insurance Institute, London. Mr. Wong is currently a councilor of the Employees Compensation Insurer Insolvency Bureau (ECIIB) and a member of the General Committee of the Insurance Claims Complaints Bureau. He is also a councillor of both the General Insurance Council of the Hong Kong Federation of Insurers (HKFI) and the Council of Motor Insurers' Bureau of Hong Kong (MIB). Mr. Wong had served as the Chairman of the ECIIB, the General Insurance Council and the MIB Council. He had been a member of the Governing Committee of the HKFI, the President of the Insurance Institute of Hong Kong and a member of the insurance subsector of the Election Committee 2011.

Non-Executive Directors:

Mr. SOPHONPANICH Choedchu, aged 68, has been a non-executive director of the Company since October 1990 and has been with the Group for 29 years. He is also an executive director of Asia Insurance and a director of certain other subsidiaries of the Company. Mr. Sophonpanich is a director of Claremont Capital Holdings Ltd which is the controlling shareholder of the Company. He is also the Chairman of the Executive Board of Directors of Bangkok Life Assurance Public Company Limited and a director of Krungdhep Sophon Public Company Limited, both of which are listed on The Stock Exchange of Thailand. Mr. Sophonpanich graduated with a BSc (Econ) degree from the London School of Economics. He is the brother of Dr. CHAN Yau Hing Robin and the uncle of both Mr. TAN Stephen and Mr. CHAN Bernard Charnwut.

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

Non-Executive Directors: (cont'd)

Mr. NG Song Hin, aged 81, has been a non-executive director of the Company since October 1990 and has been with the Group for over 30 years. Mr. Ng was educated in Australia. He is the Chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatan Bina Sdn. Bhd. in Malaysia. He is also a director of Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the President of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

Mr. YAMAGUCHI Yoshihiro, aged 57, has been a non-executive director of the Company since 22nd May, 2013. Mr. Yamaguchi is the Hong Kong Representative of Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). He graduated with a degree in Economics from Kwansei Gakuin University, Japan in 1980 and joined Dowa General Insurance Limited ("Dowa") in the same year. Dowa subsequently merged with Aioi Insurance Company, Limited in 2010 and became Aioi Insurance which currently holds 5.16% of the Company's issued share capital.

Mr. TANAKA Junichi, aged 53, has been a non-executive director of the Company since 7th May, 2014. Mr. Tanaka is currently the Executive Officer and General Manager of the Global Business Planning Department of both Sompo Japan Nipponkoa Holdings, Inc. (formerly known as NKSJ Holdings, Inc.) and Sompo Japan Nipponkoa Insurance Inc. ("Sompo Japan Nipponkoa"). He is also a director of Sompo Japan Sigorta A.S., which is 90% owned subsidiary of Sompo Japan Nipponkoa. Mr. Tanaka graduated from Japan's Keio University, Faculty of Law in 1984 and joined The Yasuda Fire and Marine Insurance Company Limited ("Yasuda") in the same year. Yasuda subsequently merged with other insurance companies in 2002 and 2014 respectively and became Sompo Japan Nipponkoa which currently holds 5.16% of the Company's issued share capital.

Ms. CHAN Yeow Toh, aged 59, has been a non-executive director of the Company and Asia Insurance since 28th June, 2007. From 1st November, 2004 to 28th June, 2007, Ms. Chan was an alternate director to Tan Sri Frank Wen King TSAO who was during the said period a non-executive director of the Company and Asia Insurance. Ms. Chan is currently a director of IMC Development & Management Limited and a director of a number of other companies in Hong Kong and overseas. She is a fellow member of The Institute of Chartered Secretaries & Administrators, the United Kingdom, and The Malaysian Association of Company Secretaries. Ms. Chan was the Company Secretary of IMC Holdings Limited from 1990 until 2002 when it was delisted from the Stock Exchange. She was also the Chairman of Suntec City Management Pte. Ltd. from July 2005 to December 2009.

Independent Non-executive Directors:

Ms. CHOW Suk Han Anna, aged 67, has been an independent non-executive director of the Company since 27th September, 2004. Ms. Chow is the chairman of both the nomination committee and the compliance committee, and a member of both the audit committee and the remuneration committee of the Company. She is also an independent non-executive director of Asia Insurance. Ms. Chow was admitted as a solicitor of the Supreme Court of England and of Hong Kong respectively in 1973 and she has been in legal practice in Hong Kong since 1973. Ms. Chow was a partner of Messrs. Peter C. Wong, Chow and Chow from 1st April, 1989 to 30th September, 2012 and has since 1st October, 2012 become a consultant of the firm. She was appointed as a Notary Public by the Faculty Office of Archbishop of Canterbury in 1984 and as a China-Appointed Attesting Officer by the Ministry of Justice, The People's Republic of China in 1991 and has been practicing as a Notary Public and an attesting officer since the said years respectively. Ms. Chow was appointed as a chairman and a member of a number of public services committees of the Government of the HKSAR. She was a chairman of the Appeal Tribunal under Building Ordinance (Cap.123) and the Railway Objections Hearing Panel under the Transport Bureau respectively. She was a member of the Vetting Committee for the Professional Services Development Assistance Scheme under the Commerce and Economic Development Bureau, ICAC Complaints Committee, the Administrative Appeals Board, Inland Revenue Review Board, the Criminal Injuries Compensation Board and the Law Enforcement Injuries Compensation Board respectively. She served on the Inland Revenue Review Board as a deputy chairman from 1998 to 2007. She had also been a member of the Solicitors Disciplinary Tribunal Panel of the Law Society. Ms. Chow is also a director of a number of charitable organizations, namely Chi Lin Nunnery, Poh Yea Ching Shea Limited and Chi Hong Ching Yuen Limited. She was a trustee of The D.H. Chen Foundation from 1st December, 1998 and became the Honorary Secretary of The D.H. Chen Foundation on 1st January, 2010. She resigned as both a trustee and the Honorary Secretary of the foundation on 1st June, 2012. Ms. Chow is the honorary legal advisor to The Federation of Medical Societies of Hong Kong, and a director and the honorary secretary to the Association of China-Appointed Attesting Officers Limited.

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

Independent Non-executive Directors: (cont'd)

Mr. MA Andrew Chiu Cheung, aged 73, has been an independent non-executive director of the Company since 3rd September, 2004. Mr. Ma is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the compliance committee of the Company. He is also an independent non-executive director of Asia Insurance. Mr. Ma is a founder and former director of AMA CPA Limited and is presently a director of Mayee Management Limited. Mr. Ma has more than 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong, including Asiaray Media Group Limited, China Resources Power Holdings Company Limited, Chong Hing Bank Limited and C.P. Pokphand Co. Ltd. Mr. Ma resigned as an independent non-executive director of Tanrich Financial Holdings Limited on 27th January, 2015 and Beijing Properties (Holdings) Limited on 3rd December, 2014. Both companies are listed on the Stock Exchange. On 12th November, 2013, he also retired as an independent non-executive director of Asian Citrus Holdings Limited which is listed on the Stock Exchange, AIM of the London Stock Exchange and PLUS Markets.

Mr. SIAO Chi Lam Kenneth, aged 67, has been a member of the Board since 28th June, 1999 and was redesignated as a non-executive director of the Company on 30th September, 2004. He became an independent non-executive director of the Company after another redesignation on 6th December, 2011. Mr. Siao is a member of both the audit committee and the compliance committee of the Company. Mr. Siao is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University and his Bachelor of Laws degree (LL.B) from King's College, University of London. Mr. Siao is a Notary Public in Hong Kong and a China-Appointed Attesting Officer. He was co-opted as a Council Member of The Law Society of Hong Kong in 1994 and is currently a Honorary Fellow Member of the Hong Kong Institute of Real Estate Administrators. Mr. Siao has extensive experience in banking, commercial, corporate and property matters.

Dr. WONG Yu Hong Philip, G.B.S., aged 76, has been a member of the Board since 19th October, 1990 and was redesignated as a non-executive director of the Company on 3rd September, 2004. He became an independent non-executive director of the Company after another redesignation on 6th December, 2011. He is also a non-executive director of Asia Insurance. He has been with the Group for over 20 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987 respectively. Dr. Wong is the Chairman of Winco Paper Products Company Limited, the Life Honorary Chairman of The Chinese General Chamber of Commerce and the Honorary Chairman of the Hong Kong Publishing Federation. He had been a Deputy to the National People's Congress of the People's Republic of China and a member of the Legislative Council of the HKSAR. Dr. Wong is currently an independent non-executive director of Hop Hing Group Holdings Limited which is listed on the Stock Exchange. On 22nd March 2012, Dr. Wong resigned as the non-executive Chairman of Qin Jia Yuan Media Services Company Limited which is a listed company in Hong Kong.

Mrs. LAI KO Wing Yee Rebecca, J.P., aged 56, has been an independent non-executive director of the Company since 3rd December 2012. Mrs. Lai is the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the compliance committee of the Company. She is also an independent non-executive director of Asia Insurance. Mrs. Lai is the Registrar and Student Affairs Officer of China Graduate School of Theology. She obtained her Bachelor of Arts (Hons) degree from University of Hong Kong, Master of Business Administration from the Chinese University of Hong Kong and Master of Christian Studies (Counselling) from China Graduate School of Theology. Mrs. Lai has over 25 years' experience in the civil service. Her last position with the Government of the HKSAR in 2006 was the Permanent Secretary for the Civil Service. She currently is a Court member of City University of Hong Kong.

Report of the Directors

Employees and Remuneration Policy

The total number of employees of the Group was approximately 281 at the end of the reporting period (2013: 261). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

The remuneration policy of the Group is formulated and recommended by the Remuneration Committee of the Company for the Board's approval. The Remuneration Committee's responsibilities also 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.

Donations

During the year, the Group made charitable donations totalling HK\$3,766,000 (2013: HK\$4,143,000).

Sufficiency of Public Float

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

Pre-Emptive Rights

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

Auditors

The financial statements for the year ended 31st December, 2014 have been audited by Ernst & Young who retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

CHAN Yau Hing Robin

Chairman

Hong Kong, 24th March, 2015



To the shareholders of Asia Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Financial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 41 to 128, which comprise the consolidated and company statements of financial position as at 31st December, 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independent Auditors' Report

To the shareholders of Asia Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

24th March, 2015

Consolidated Statement of Profit or Loss

Year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
REVENUE	4	1,279,625	1,448,080
Gross premiums	28(a)	1,314,268	1,363,390
Reinsurers' share of gross premiums	28(b)	(384,092)	(420,244)
Net insurance contracts premiums revenue		930,176	943,146
Gross claims paid	29(a)	(506,792)	(528,717)
Reinsurers' share of gross claims paid	29(b)	148,352	116,296
Gross change in outstanding claims	29(c)	(174,213)	(234,008)
Reinsurers' share of gross change in outstanding claims	29(d)	(20,546)	65,395
Net claims incurred		(553,199)	(581,034)
Commission income		73,601	72,087
Commission expense		(278,376)	(273,316)
Net commission expense		(204,775)	(201,229)
Management expenses for underwriting business		(60,483)	(62,325)
Underwriting profit		111,719	98,558
Dividend income		87,619	75,116
Realised gain/(loss) on investments		11,774	(5,598)
Unrealised gain on investments		141,857	63,910
Interest income		72,787	71,036
Other income and gains, net		21,293	9,379
		447,049	312,401
Operating expenses		(108,637)	(92,650)
Finance costs	5	(2,324)	(2,545)
		336,088	217,206
Share of profits and losses of joint ventures		41,639	35,809
Share of profits and losses of associates		29,826	35,202
PROFIT BEFORE TAX	6	407,553	288,217
Income tax expense	9	(33,900)	(13,010)
PROFIT FOR THE YEAR		373,653	275,207

...cont'd

Consolidated Statement of Profit or Loss

Year ended 31st December, 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
<hr/>			
Attributable to:			
Equity holders of the Company	<i>10</i>	365,507	270,731
Non-controlling interests		8,146	4,476
		<u>373,653</u>	<u>275,207</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>12</i>		
Basic			
– For profit for the year		<u>HK35.9 cents</u>	<u>HK26.6 cents</u>
Diluted			
– For profit for the year		<u>N/A</u>	<u>N/A</u>

Details of the dividends payable and proposed are disclosed in note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
PROFIT FOR THE YEAR		<u>373,653</u>	<u>275,207</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale securities:			
Changes in fair value		<u>381,358</u>	<u>(167,423)</u>
Share of other comprehensive income/(expense) of joint ventures:			
Changes in available-for-sale investment reserve		<u>908</u>	466
Changes in exchange reserve		<u>996</u>	<u>(2,423)</u>
		<u>1,904</u>	<u>(1,957)</u>
Share of other comprehensive income/(expense) of associates:			
Changes in available-for-sale investment reserve		<u>1,172</u>	(11,023)
Changes in exchange reserve		<u>(9,548)</u>	<u>8,966</u>
		<u>(8,376)</u>	<u>(2,057)</u>
Exchange differences on translation of foreign operations		<u>4</u>	<u>(45)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		<u>374,890</u>	<u>(171,482)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>748,543</u>	<u>103,725</u>
ATTRIBUTABLE TO:			
Equity holders of the Company	10	<u>740,042</u>	102,606
Non-controlling interests		<u>8,501</u>	<u>1,119</u>
		<u>748,543</u>	<u>103,725</u>

Consolidated Statement of Financial Position

31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Property, plant and equipment	<i>13</i>	337,592	144,657
Investment properties	<i>14</i>	9,600	7,260
Interests in joint ventures	<i>16</i>	254,438	227,615
Loan to a joint venture	<i>16</i>	8,669	11,503
Interests in associates	<i>17</i>	329,426	291,389
Due from an associate	<i>17</i>	168,390	168,390
Deferred tax assets	<i>32</i>	5,756	7,111
Held-to-maturity securities	<i>18</i>	554,224	697,217
Available-for-sale securities	<i>19</i>	3,400,372	3,030,914
Pledged deposits	<i>24</i>	131,730	120,080
Loans and advances and other assets	<i>20</i>	188,225	220,352
Securities measured at fair value through profit or loss	<i>21</i>	1,636,611	1,912,760
Insurance receivables	<i>22</i>	208,927	250,395
Reinsurance assets	<i>23</i>	554,315	588,997
Cash and cash equivalents	<i>24</i>	2,172,877	1,566,933
Total assets		9,961,152	9,245,573

...cont'd

Consolidated Statement of Financial Position

31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	25	1,019,200	1,019,200
Reserves	26(a)	5,838,342	5,179,836
Proposed final dividend	11	50,960	45,864
		6,908,502	6,244,900
Non-controlling interests		38,391	30,520
Total equity		6,946,893	6,275,420
Liabilities			
Insurance contracts liabilities	27	2,391,392	2,251,822
Insurance payables		138,144	200,163
Due to a joint venture	16	26,589	26,244
Due to associates	17	4,222	4,222
Other liabilities	30	244,713	257,315
Interest-bearing bank borrowing	31	150,000	200,000
Tax payable		49,353	20,541
Deferred tax liabilities	32	9,846	9,846
Total liabilities		3,014,259	2,970,153
Total equity and liabilities		9,961,152	9,245,573

CHAN Yau Hing Robin
Chairman

CHAN Bernard Charnwut
Executive Director & President

Consolidated Statement of Changes in Equity

Year ended 31st December, 2014

Group

	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	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
At 1st January, 2013	1,019,200	560,531	30,773	1,002,615	46,071	34,393	2,427	513,240	38,821	2,909,511	43,826	6,201,408	21,776	6,223,184
Profit for the year	-	-	-	-	-	-	-	-	-	270,731	-	270,731	4,476	275,207
Other comprehensive income/(expense) for the year:														
Changes in fair value of available-for-sale securities (note 19)	-	-	-	(167,423)	-	-	-	-	-	-	-	(167,423)	-	(167,423)
Share of changes in available-for-sale investment reserve of joint ventures	-	-	-	466	-	-	-	-	-	-	-	466	-	466
Share of changes in available-for-sale investment reserve of associates	-	-	-	(7,666)	-	-	-	-	-	-	-	(7,666)	(3,357)	(11,023)
Share of changes in exchange reserve of a joint venture	-	-	-	-	-	(2,423)	-	-	-	-	-	(2,423)	-	(2,423)
Share of changes in exchange reserve of an associate	-	-	-	-	-	8,966	-	-	-	-	-	8,966	-	8,966
Exchange differences on translation of foreign operations	-	-	-	-	-	(45)	-	-	-	-	-	(45)	-	(45)
Total comprehensive income/(expense) for the year	-	-	-	(174,623)	-	6,498	-	-	-	270,731	-	102,606	1,119	103,725
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	-	(43,826)	(43,826)	-	(43,826)
Interim 2013 dividend (note 11)	-	-	-	-	-	-	-	-	-	(15,288)	-	(15,288)	-	(15,288)
Proposed final 2013 dividend (note 11)	-	-	-	-	-	-	-	-	-	(45,864)	45,864	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	7,625	7,625
Transfer to contingency reserve	-	-	13,545	-	-	-	-	-	-	(13,545)	-	-	-	-
Release from contingency reserve	-	-	(2,557)	-	-	-	-	-	-	2,557	-	-	-	-
At 31st December, 2013	1,019,200	560,531*	41,761*	827,992*	46,071*	40,891*	2,427*	513,240*	38,821*	3,108,102*	45,864	6,244,900	30,520	6,275,420

...cont'd

Consolidated Statement of Changes in Equity

Year ended 31st December, 2014

Group (cont'd)

	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	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
At 1st January, 2014	1,019,200	560,531	41,761	827,992	46,071	40,891	2,427	513,240	38,821	3,108,102	45,864	6,244,900	30,520	6,275,420
Profit for the year	-	-	-	-	-	-	-	-	-	365,507	-	365,507	8,146	373,653
Other comprehensive income/(expense) for the year:														
Changes in fair value of available-for-sale securities (note 19)	-	-	-	381,358	-	-	-	-	-	-	-	381,358	-	381,358
Share of changes in available-for-sale investment reserve of joint ventures	-	-	-	908	-	-	-	-	-	-	-	908	-	908
Share of changes in available-for-sale investment reserve of associates	-	-	-	817	-	-	-	-	-	-	-	817	355	1,172
Share of changes in exchange reserve of a joint venture	-	-	-	-	-	996	-	-	-	-	-	996	-	996
Share of changes in exchange reserve of associates	-	-	-	-	-	(9,548)	-	-	-	-	-	(9,548)	-	(9,548)
Exchange differences on translation of foreign operations	-	-	-	-	-	4	-	-	-	-	-	4	-	4
Total comprehensive income/(expense) for the year	-	-	-	383,083	-	(8,548)	-	-	-	365,507	-	740,042	8,501	748,543
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	-	(45,864)	(45,864)	-	(45,864)
Interim 2014 dividend (note 11)	-	-	-	-	-	-	-	-	-	(30,576)	-	(30,576)	-	(30,576)
Proposed final 2014 dividend (note 11)	-	-	-	-	-	-	-	-	-	(50,960)	50,960	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(630)	(630)
Transfer to contingency reserve	-	-	14,419	-	-	-	-	-	-	(14,419)	-	-	-	-
Release from contingency reserve	-	-	(3,455)	-	-	-	-	-	-	3,455	-	-	-	-
At 31st December, 2014	1,019,200	560,531*	52,725*	1,211,075*	46,071*	32,343*	2,427*	513,240*	38,821*	3,381,109*	50,960	6,908,502	38,391	6,946,893

* These reserve accounts comprise the consolidated reserves of HK\$5,838,342,000 (2013: HK\$5,179,836,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		407,553	288,217
Adjustments for:			
Interest income	<i>6</i>	(72,787)	(71,036)
Finance costs	<i>5</i>	2,324	2,545
Dividend income from investments	<i>6</i>	(87,619)	(75,116)
Loss/(gain) on redemption/call-back of held-to-maturity securities	<i>6</i>	(61)	1,399
Gain on disposal of available-for-sale securities	<i>6</i>	(12,381)	(58)
Impairment of available-for-sale securities	<i>6</i>	1,200	740
Write-back of impairment of available-for-sale securities	<i>6</i>	–	(646)
Write-back of impairment of insurance receivables	<i>6</i>	(3)	–
Depreciation	<i>6</i>	10,809	5,762
Changes in fair value of investment properties	<i>6</i>	(2,340)	(2,490)
Loss/(gain) on disposal/write-off of items of property, plant and equipment	<i>6</i>	(75)	12
Share of profits and losses of joint ventures		(41,639)	(35,809)
Share of profits and losses of associates		(29,826)	(35,202)
		175,155	78,318
Decrease in loans and advances and other assets		16,127	5,529
Decrease/(increase) in securities measured at fair value through profit or loss		276,149	(153,367)
Decrease/(increase) in insurance receivables		41,471	(51,896)
Decrease/(increase) in reinsurance assets		34,682	(47,857)
Increase in time deposits with original maturity of over three months		(261,316)	(14,531)
Increase in insurance contracts liabilities		139,570	318,698
Increase/(decrease) in insurance payables		(62,019)	26,068
Increase/(decrease) in other liabilities		(12,598)	34,708
Cash generated from operations		347,221	195,670
Hong Kong profits tax paid		(405)	(39,106)
Overseas taxes paid		(3,328)	(3,034)
Net cash flows from operating activities		343,488	153,530

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Consolidated Statement of Cash Flows

Year ended 31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash flows from operating activities		343,488	153,530
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		72,787	71,036
Dividends received from investments		87,619	75,116
Dividends received from joint ventures	<i>16</i>	16,720	16,100
Dividends received from associates	<i>17</i>	9,225	12,026
Purchases of held-to-maturity securities		(48,964)	(298,140)
Purchases of available-for-sale securities		(50,000)	(347,854)
Proceeds from redemption/call back of held-to-maturity securities		192,018	281,428
Proceeds from disposal of available-for-sale securities		73,081	3,298
Purchases of items of property, plant and equipment	<i>13, 20</i>	(188,009)	(270)
Proceeds from disposal of items of property, plant and equipment		340	13
Deposit paid for acquisition of property, plant and equipment	<i>20</i>	–	(16,000)
Capital injection from non-controlling interests		–	7,625
Capital contribution to associates	<i>17</i>	(25,812)	(40,000)
Repayment of a loan to a joint venture		2,834	2,834
Increase in an amount due to a joint venture		345	26,244
Increase in pledged deposits		(11,650)	(17,475)
Net cash flows from/(used in) investing activities		130,534	(224,019)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowing		–	200,000
Repayment of a bank borrowing		(50,000)	–
Dividend paid to non-controlling interests		(630)	–
Dividends paid		(76,440)	(59,114)
Interest paid		(2,324)	(2,545)
Net cash flows from/(used in) financing activities		(129,394)	138,341
NET INCREASE IN CASH AND CASH EQUIVALENTS		344,628	67,852
Cash and cash equivalents at beginning of year		1,277,362	1,209,510
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,621,990	1,277,362

...cont'd

Consolidated Statement of Cash Flows

Year ended 31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	219,650	153,893
Non-pledged time deposits with original maturity of over three months when acquired	24	550,887	289,571
Non-pledged time deposits with original maturity of less than three months when acquired	24	1,402,340	1,123,469
Cash and cash equivalents as stated in the consolidated statement of financial position		2,172,877	1,566,933
Less: Non-pledged time deposits with original maturity of over three months when acquired		(550,887)	(289,571)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,621,990	1,277,362

Statement of Financial Position

31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
ASSETS			
Property, plant and equipment	13	–	–
Interests in subsidiaries	15	1,741,447	1,705,757
Due from subsidiaries	15	1,085,585	1,149,873
Interest in a joint venture	16	–	–
Available-for-sale securities	19	1,524,085	1,524,085
Loans and advances and other assets	20	9,949	34,059
Cash and cash equivalents	24	276,459	173,239
Total assets		4,637,525	4,587,013
EQUITY AND LIABILITIES			
Equity			
Issued capital	25	1,019,200	1,019,200
Reserves	26(b)	3,417,473	3,353,355
Proposed final dividend	11	50,960	45,864
Total equity		4,487,633	4,418,419
Liabilities			
Other liabilities	30	8,171	8,576
Due to subsidiaries	15	139,517	159,532
Tax payable		2,204	486
Total liabilities		149,892	168,594
Total equity and liabilities		4,637,525	4,587,013

CHAN Yau Hing Robin
Chairman

CHAN Bernard Charnwut
Executive Director & President

Notes to Financial Statements

31st December, 2014

1. Corporate Information

Asia Financial Holdings Limited is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at 16th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group comprise the provision of underwriting of general and life insurance. There were no significant changes in the nature of the Group’s principal activities during the year.

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, securities measured at fair value through profit or loss and certain available-for-sale securities, which have been measured at fair value, and certain buildings classified as property, plant and equipment, which were carried at 1990 valuation. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.1 Basis of Preparation (cont'd)

Basis of consolidation (cont'd)

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements</i> <i>2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1st July, 2014

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

Notes to Financial Statements

31st December, 2014

2.3 New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet Adopted

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

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs, other than HKFRS 2, 3 and 13 ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs, other than HKFRS 1 ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1st July, 2014

² Effective for annual periods beginning on or after 1st January, 2016

³ Effective for annual periods beginning on or after 1st January, 2017

⁴ Effective for annual periods beginning on or after 1st January, 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31st December, 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet Adopted (cont'd)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1st January, 2016.

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

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1st January, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments* clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies

Revenue recognition

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

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

Commission expenses and other acquisition costs

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

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (cont'd)

Investments in associates and joint ventures

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

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

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

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

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

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

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2.4 Summary of Significant Accounting Policies (cont'd)

Business combinations and goodwill (cont'd)

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in consolidated statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Fair value measurement

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

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

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

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

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

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

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

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

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

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

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

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

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

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

Investment properties

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

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

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

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies (cont'd)

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and other financial assets (cont'd)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and other financial assets (cont'd)

Available-for-sale financial investments

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

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2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of financial assets (cont'd)

Available-for-sale financial investments

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

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

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

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

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

Derecognition of financial assets

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Derecognition of financial assets (cont'd)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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2.4 Summary of Significant Accounting Policies (cont'd)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Related parties

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

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

or

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

2.4 Summary of Significant Accounting Policies (cont'd)

Product classification – Insurance contracts

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

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

Insurance payables

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

Derecognition insurance payables

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

Insurance contracts liabilities

General insurance contracts liabilities

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

Outstanding claims

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

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

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2.4 Summary of Significant Accounting Policies (cont'd)

Insurance contracts liabilities (cont'd)

Unearned premiums

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

Life insurance contracts liabilities

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

Life reserve

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

Liability adequacy test

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

Insurance receivables

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Reinsurance

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

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

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

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

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies (cont'd)

Income tax

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Income tax (cont'd)

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

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

Dividends

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

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

Foreign currencies

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

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

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

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

Notes to Financial Statements

31st December, 2014

2.4 Summary of Significant Accounting Policies (cont'd)

Foreign currencies (cont'd)

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

Employee benefits

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

2.5 Significant Accounting Judgements and Estimates

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

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

Estimation uncertainty

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

Estimation of insurance contracts liabilities

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

The carrying value at the end of the reporting period for these general insurance contracts liabilities was HK\$1,538,256,000 (2013: HK\$1,365,585,000) (note 27(b)).

2.5 Significant Accounting Judgements and Estimates (cont'd)

Estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31st December, 2014 was HK\$6,186,000 (2013: HK\$7,541,000). The amount of unrecognised tax losses at 31st December, 2014 was HK\$217,162,000 (2013: HK\$190,495,000). Further details are contained in note 32 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the value of unlisted assets declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. The net carrying amount of unlisted available-for-sale securities was HK\$1,589,531,000 (2013: HK\$1,601,431,000) (note 19).

3. Operating Segment Information

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

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

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

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

Notes to Financial Statements

31st December, 2014

3. Operating Segment Information (cont'd)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2014 and 2013.

Group

	Insurance		Corporate		Eliminations		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Segment revenue:								
External customers	1,279,625	1,448,080	-	-	-	-	1,279,625	1,448,080
Other revenue, income and gains, net	228,487	138,350	106,843	75,493	-	-	335,330	213,843
Intersegment	6,555	3,322	-	-	(6,555)	(3,322)	-	-
Total	<u>1,514,667</u>	<u>1,589,752</u>	<u>106,843</u>	<u>75,493</u>	<u>(6,555)</u>	<u>(3,322)</u>	<u>1,614,955</u>	<u>1,661,923</u>
Segment results	<u>286,562</u>	<u>189,483</u>	<u>49,526</u>	<u>27,723</u>	<u>-</u>	<u>-</u>	<u>336,088</u>	<u>217,206</u>
Share of profits and losses of:								
Joint ventures	21,889	18,185	19,750	17,624	-	-	41,639	35,809
Associates	16,522	16,799	13,304	18,403	-	-	29,826	35,202
Profit before tax							407,553	288,217
Income tax expense	(30,465)	(9,259)	(3,435)	(3,751)	-	-	(33,900)	(13,010)
Profit for the year							<u>373,653</u>	<u>275,207</u>

31st December, 2014

3. Operating Segment Information (cont'd) Group

	Insurance		Corporate		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Segment assets	5,379,882	5,043,178	3,997,406	3,683,391	9,377,288	8,726,569
Interests in joint ventures	154,822	134,132	99,616	93,483	254,438	227,615
Interests in associates	140,291	131,822	189,135	159,567	329,426	291,389
Total assets	5,674,995	5,309,132	4,286,157	3,936,441	9,961,152	9,245,573
Segment liabilities	2,674,742	2,549,219	339,517	420,934	3,014,259	2,970,153
Other segment information:						
Depreciation	8,511	5,115	2,298	647	10,809	5,762
Loss/(gain) on disposal/write-off of items of property, plant and equipment	(15)	12	(60)	–	(75)	12
Gain on change in fair value of investment properties	(2,340)	(2,490)	–	–	(2,340)	(2,490)
Impairment of available-for-sale securities	1,200	740	–	–	1,200	740
Write-back of impairment of available-for-sale securities	–	(646)	–	–	–	(646)
Write-back of impairment allowances on insurance receivables	(3)	–	–	–	(3)	–
Capital expenditure	180,737	201	23,272	69	204,009	270

Geographical information

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

4. Revenue

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

5. Finance Costs

	2014 HK\$'000	2013 HK\$'000
Interest on a bank loan wholly repayable within five years	2,324	2,545

Notes to Financial Statements

31st December, 2014

6. Profit Before Tax

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

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditors' remuneration		(2,980)	(2,705)
Depreciation	<i>13</i>	(10,809)	(5,762)
Employee benefit expense (including directors' remuneration, note 7):			
Wages and salaries		(101,356)	(90,114)
Pension scheme contributions		(4,543)	(4,120)
Less: Forfeited contributions		196	73
Net pension scheme contributions		(4,347)	(4,047)
Total employee benefit expense		(105,703)	(94,161)
Minimum lease payments under operating leases in respect of land and buildings		(1,263)	(1,305)
Realised gain/(loss) on:			
– disposal of securities measured at fair value through profit or loss (held for trading), net		(668)	(4,257)
– disposal of available-for-sale securities		12,381	58
– redemption/call-back of held-to-maturity securities		61	(1,399)
Total realised gain/(loss) on investments		11,774	(5,598)
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net		143,057	64,004
Impairment of available-for-sale securities		(1,200)	(740)
Write-back of impairment of available-for-sale securities		–	646
Total unrealised gain on investments		141,857	63,910
Interest income		72,787	71,036
Gain/(loss) on disposal/write-off of items of property, plant and equipment		75	(12)
Change in fair value of investment properties	<i>14</i>	2,340	2,490
Write-back of impairment allowance on insurance receivables	<i>22</i>	3	–
Net gain on conversion of convertible notes and disposal of the underlying shares*		25,353	–
Foreign exchange gain/(loss), net*		(9,478)	2,906
Dividend income from:			
Listed investments		62,340	62,982
Unlisted investments		25,279	12,134
Total dividend income		87,619	75,116

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

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7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Group

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

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

² Resigned during the year ended 31st December, 2014

³ The directorship of Mr. YAMAGUCHI Yoshihiro was nominated by Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). As per Aioi Insurance's instruction, the director's fee of HK\$60,000 was paid directly to Aioi Insurance during the year.

⁴ Appointed during the year ended 31st December, 2014

Notes to Financial Statements

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7. Directors' Remuneration (cont'd) Group

2013	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors:					
CHAN Yau Hing Robin	100	1,836	3,350	72	5,358
CHAN Bernard Charnwut ¹	140	3,979	780	183	5,082
TAN Stephen	70	2,687	750	103	3,610
WONG Kok Ho	80	3,106	500	143	3,829
	<u>390</u>	<u>11,608</u>	<u>5,380</u>	<u>501</u>	<u>17,879</u>
Non-executive directors:					
LAU Ki Chit	80	–	–	–	80
SOPHONPANICH Choedchu	80	12	200	–	292
NG Song Hin	50	–	–	–	50
CHAN Yeow Toh	80	–	–	–	80
MIYAZAKI Mamoru ^{2, 3}	12	–	–	–	12
YAMAGUCHI Yoshihiro ^{2, 4}	31	–	–	–	31
	<u>333</u>	<u>12</u>	<u>200</u>	<u>–</u>	<u>545</u>
Independent non-executive directors:					
MA Andrew Chiu Cheung	170	–	–	–	170
CHOW Suk Han Anna	180	–	–	–	180
SIAO Chi Lam Kenneth	90	–	–	–	90
WONG Yu Hong Philip	80	–	–	–	80
LAI KO Wing Yee Rebecca	170	–	–	–	170
	<u>690</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>690</u>
	<u>1,413</u>	<u>11,620</u>	<u>5,580</u>	<u>501</u>	<u>19,114</u>

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

² The respective directorships of Mr. MIYAZAKI Mamoru and Mr. YAMAGUCHI Yoshihiro were nominated by Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). As per Aioi Insurance's instruction, their total directors' fees of HK\$43,185 were paid directly to Aioi Insurance during the year ended 31st December, 2013.

³ Resigned during the year ended 31st December, 2013

⁴ Appointed during the year ended 31st December, 2013

31st December, 2014

8. Five Highest Paid Employees

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining one (2013: one) highest paid employee who is non-director of the Company are as follows:

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries, commission, allowances and benefits in kind	3,228	3,309
Discretionary bonuses	–	–
Pension scheme contributions	14	14
	<u>3,242</u>	<u>3,323</u>

The remuneration of the remaining one (2013: one) non-director, highest paid employee fell within the band of HK\$3,000,001 to HK\$3,500,000 (2013: HK\$3,000,001 to HK\$3,500,000).

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	29,065	16,431
Overprovision in prior years	(403)	(12,097)
Current – Elsewhere		
Charge for the year	4,068	4,216
Overprovision in prior years	(185)	–
Deferred (<i>note 32</i>)	1,355	4,460
	<u>33,900</u>	<u>13,010</u>
Total tax charge for the year		

Notes to Financial Statements

31st December, 2014

9. Income Tax (cont'd)

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

Group – 2014

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit before tax	<u>381,628</u>	<u>25,925</u>	<u>407,553</u>
Tax at the statutory tax rates	62,969	3,111	66,080
Share of profits and losses attributable to joint ventures and associates	(11,792)	–	(11,792)
Adjustments in respect of current tax of previous periods	(403)	(185)	(588)
Income not subject to tax	(29,760)	(577)	(30,337)
Expenses not deductible for tax	4,603	1,534	6,137
Tax losses from previous periods utilised	(761)	–	(761)
Tax losses not recognised	<u>5,161</u>	<u>–</u>	<u>5,161</u>
Tax charge at the Group's effective rate	<u>30,017</u>	<u>3,883</u>	<u>33,900</u>

Group – 2013

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit before tax	<u>258,970</u>	<u>29,247</u>	<u>288,217</u>
Tax at the statutory tax rates	42,730	3,510	46,240
Share of profits and losses attributable to joint ventures and associates	(11,717)	–	(11,717)
Adjustments in respect of current tax of previous periods	(12,097)	–	(12,097)
Income not subject to tax	(16,871)	(347)	(17,218)
Expenses not deductible for tax	3,767	1,053	4,820
Tax losses from previous periods utilised	(545)	–	(545)
Tax losses not recognised	<u>3,527</u>	<u>–</u>	<u>3,527</u>
Tax charge at the Group's effective rate	<u>8,794</u>	<u>4,216</u>	<u>13,010</u>

31st December, 2014

9. Income Tax (cont'd)

The share of tax attributable to joint ventures amounting to HK\$5,326,000 (2013: HK\$5,756,000) is included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss. The share of tax attributable to associates and the effect of withholding tax on the distributable profits of the Group's associate in the People Republic of China amounting to HK\$8,860,000 (2013: HK\$15,406,000) and HK\$781,000 (2013: HK\$1,031,000), respectively, are included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

10. Profit Attributable to Equity Holders of the Company

The consolidated profit attributable to equity holders of the Company for the year ended 31st December, 2014 includes a profit of HK\$15,654,000 (2013: loss of HK\$11,683,000) which has been dealt with in the financial statements of the Company (note 26(b)).

11. Dividends

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interim – HK3.0 cents (2013: HK1.5 cents) per ordinary share	30,576	15,288
Proposed final – HK5.0 cents (2013: HK4.5 cents) per ordinary share	50,960	45,864
	<u>81,536</u>	<u>61,152</u>

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

12. Earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$365,507,000 (2013: HK\$270,731,000) and 1,019,200,000 (2013: 1,019,200,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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13. Property, Plant and Equipment

31st December, 2014

	Group			Company
	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yacht and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	199,739	64,639	264,378	794
Additions	178,370	25,639	204,009	-
Disposals/write-off	-	(2,409)	(2,409)	-
At 31st December, 2014	<u>378,109</u>	<u>87,869</u>	<u>465,978</u>	<u>794</u>
Accumulated depreciation and impairment:				
At beginning of year	59,880	59,841	119,721	794
Charge for the year	6,919	3,890	10,809	-
Disposals/write-off	-	(2,144)	(2,144)	-
At 31st December, 2014	<u>66,799</u>	<u>61,587</u>	<u>128,386</u>	<u>794</u>
Net book value:				
At 31st December, 2014	<u>311,310</u>	<u>26,282</u>	<u>337,592</u>	<u>-</u>
At 31st December, 2013	<u>139,859</u>	<u>4,798</u>	<u>144,657</u>	<u>-</u>

31st December, 2014

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

31st December, 2013

	Group			Company
	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yacht and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	199,739	64,616	264,355	794
Additions	–	270	270	–
Disposals/write-off	–	(247)	(247)	–
At 31st December, 2013	<u>199,739</u>	<u>64,639</u>	<u>264,378</u>	<u>794</u>
Accumulated depreciation and impairment:				
At beginning of year	55,956	58,225	114,181	794
Charge for the year	3,924	1,838	5,762	–
Disposals/write-off	–	(222)	(222)	–
At 31st December, 2013	<u>59,880</u>	<u>59,841</u>	<u>119,721</u>	<u>794</u>
Net book value:				
At 31st December, 2013	<u>139,859</u>	<u>4,798</u>	<u>144,657</u>	<u>–</u>
At 31st December, 2012	<u>143,783</u>	<u>6,391</u>	<u>150,174</u>	<u>–</u>

The cost or valuation of the buildings comprises:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1990 valuation	85,172	85,172
At cost	292,937	114,567
	378,109	199,739

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

The net book values of the buildings of the Group comprise:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Long term leases in Hong Kong	304,977	133,354
Long term leases outside Hong Kong	5,985	6,134
Medium term leases outside Hong Kong	348	371
	311,310	139,859

The furniture, fixtures, equipment, yacht and motor vehicles are stated at cost less accumulated depreciation.

Had the revalued land and buildings of the Group been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$11,442,000 (2013: HK\$12,050,000).

14. Investment Properties

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Carrying amount at 1st January	7,260	4,770
Change in fair value of investment properties (<i>note 6</i>)	2,340	2,490
Carrying amount at 31st December	9,600	7,260

The Group's investment properties were revalued at 31st December, 2014 based on valuations performed by AA Property Services Limited, an independent firm of professionally qualified valuers, at HK\$9,600,000 (2013: HK\$7,260,000). The Group decides to appoint which external valuer to be responsible for the external valuation of the Group's property based on selection criteria including market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for financial reporting. The investment properties are leased to a third party under an operating lease.

The Group's investment properties are situated in Macau and are held under a short term lease.

As at 31st December, 2014 and 2013, the fair value measurement of the Group's investment properties is categorised in Level 3 of the fair value hierarchy (i.e., fair value measurement using significant unobservable inputs).

During the years ended 31st December, 2014 and 2013, there were no transfers into or out of Level 3.

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15. Interests in Subsidiaries

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	1,760,247	1,724,557
Less: Impairment [#]	(18,800)	(18,800)
	<u>1,741,447</u>	<u>1,705,757</u>
Due from subsidiaries	1,121,316	1,185,604
Less: Impairment [^]	(35,731)	(35,731)
	<u>1,085,585</u>	<u>1,149,873</u>
Due to subsidiaries	<u>(139,517)</u>	<u>(159,532)</u>

The balances with subsidiaries, except for an amount due to a subsidiary of HK\$130,000,000 (2013: HK\$150,000,000) which is unsecured, bears interest at 1.0% (2013: 1.0%) per annum and is repayable on demand, are unsecured, interest-free and have no fixed terms of repayment.

[#] An impairment was recognised for an investment with a carrying amount of HK\$18,800,000 (before deducting the impairment loss) (2013: HK\$18,800,000) because the respective subsidiary was loss-making for some time.

[^] An impairment was recognised for certain amounts due from subsidiaries with a carrying amount of HK\$35,731,000 (before deducting the impairment loss) (2013: HK\$35,731,000) because the respective subsidiaries were loss-making for some time.

As the balances with subsidiaries, except for amounts due to subsidiaries, arose from advances to/from the subsidiaries for the purpose of operational financing, other than the circumstances when it is considered that the recipient of the financing has more than adequate working capital for financing its operation, the directors of the Company do not intend to demand settlement/proceed with repayment of the amounts involved within 12 months from the end of the reporting period.

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15. Interests in Subsidiaries (cont'd)

Particulars of the principal subsidiaries as at 31st December, 2014 are as follows:

Name	Place of incorporation and operation	Percentage of equity attributable to the Company		Issued share capital	Principal activities
		Direct	Indirect		
Asia Insurance Company, Limited	Hong Kong	100	–	HK\$2,000,000,000	Insurance
Asia Investment Services Limited	British Virgin Islands	100	–	HK\$10,000,000	Investment holding
AFH Investments (BVI) Limited	British Virgin Islands	100	–	US\$1,000,000	Investment holding
Asia Insurance (Finance) Limited	Hong Kong	–	100	HK\$25,000,000	Mortgage loan financing
Chamberlain Investment Limited	Republic of Liberia	–	100	US\$100	Investment holding
Progressive Investment Company Limited	Hong Kong	–	100	HK\$10,000,000	Property investment
Bedales Investment Limited	Republic of Liberia	–	100	Ordinary US\$100 Preference US\$3,000,000	Investment holding
Asia Investment Services (HK) Limited	Hong Kong	–	100	HK\$10,000	Investment holding
Asia Insurance (Investments) Limited	Hong Kong	–	69.5	HK\$78,000,000	Investment holding
Asia Financial (Nominees) Limited	Hong Kong	–	100	HK\$2	Provision of nominee services
AFH Investment Company Limited	Hong Kong	–	100	HK\$1	Investment holding
AFH Realty Investment Company Limited	Hong Kong	–	100	HK\$1	Investment holding
AFH International Company Limited	Hong Kong	–	100	HK\$1	Investment holding
AFH Health Care Services Limited	Hong Kong	–	100	HK\$1	Provision of health care services
Top Hover Limited	British Virgin Islands	–	100	US\$1	Investment holding
Onsite Investment Limited	British Virgin Islands	–	70	US\$100	Investment holding
Ultimate Prime Limited	Hong Kong	–	100	HK\$19,500,000	Provision of health care services and restaurant operation
AFH Health Care Investment Limited	Hong Kong	100	–	HK\$25,700,000	Investment holding

31st December, 2014

15. Interests in Subsidiaries (cont'd)

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

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

16. Interests in Joint Ventures

	Notes	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost		-	-	-	-
Share of net assets		254,438	227,615	-	-
Goodwill on acquisition		16,655	16,655	-	-
		271,093	244,270	-	-
Less: Impairment [#]		(16,655)	(16,655)	-	-
		254,438	227,615	-	-
Loan to a joint venture	(i)	8,669	11,503	-	-
Due to a joint venture	(ii)	(26,589)	(26,244)	-	-

[#] As at 31st December, 2014, an impairment of HK\$16,655,000 (2013: HK\$16,655,000) was recognised for an interest in a joint venture with a carrying amount of HK\$50,569,000 (2013: HK\$50,473,000) (before deducting the impairment loss) because this joint venture has been loss-making for some time.

Notes:

- (i) At 31st December, 2014, a loan to a joint venture of the Group of HK\$8,669,000 (2013: HK\$11,503,000) is secured by a property situated in Hong Kong and bears interest at 2.6% (2013: 2.6%) above the Hong Kong Interbank Offered Rate ("HIBOR") per annum and is repayable by three (2013: four) annual instalments comprising two (2013: three) instalments of HK\$2,834,000 (2013: HK\$2,834,000) each and the last instalment of HK\$3,001,000 (2013: HK\$3,001,000) commencing from the year ending 31st December, 2015.
- (ii) The amount due to a joint venture is classified as a financial liability at amortised cost, and is unsecured, bears interest at 1.5% (2013: 2.0%) per annum and is repayable on demand.

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16. Interests in Joint Ventures (cont'd)

Particulars of the joint ventures of the Group are as follows:

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

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

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

During the year, the Group received dividend income amounting to HK\$16,720,000 (2013: HK\$16,100,000) from the joint ventures.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Share of the joint ventures' profit for the year	41,639	35,809
Share of the joint ventures' other comprehensive income/(expenses)	1,904	(1,957)
Share of the joint ventures' total comprehensive income	43,543	33,852
Aggregate carrying amount of the Group's interests in the joint ventures	<u>254,438</u>	<u>227,615</u>

31st December, 2014

17. Interests in Associates

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	323,697	285,660
Goodwill on acquisition	5,729	5,729
	329,426	291,389

Particulars of the associates of the Group as at 31st December, 2014, which are all corporate entities, are as follows:

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

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

[#] The Group holds 25% equity interest in this associate through a non-wholly-owned subsidiary. During the year ended 31st December, 2013, the Group has contributed additional capital of HK\$40,000,000 to PICC (HK).

[®] During the year ended 31st December, 2014, the Group subscribed 20% equity interest in HHE at a cash consideration of US\$3,329,885 (approximately HK\$25,812,000).

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17. Interests in Associates (cont'd)

The Group received dividend income amounting to HK\$9,225,000 (2013: HK\$12,026,000) from the associates during the year.

The amount due from an associate of HK\$168,390,000 (2013: HK\$168,390,000) is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this balance is considered as a quasi-equity investment in the associate.

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Share of the associates' profit for the year	29,826	35,202
Share of the associates' other comprehensive expenses	(8,376)	(2,057)
Share of the associates' total comprehensive income	21,450	33,145
Aggregate carrying amount of the Group's interests in the associates	<u>329,426</u>	<u>291,389</u>

18. Held-To-Maturity Securities

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed debt securities in Hong Kong, at amortised cost	193,337	185,350
Listed debt securities outside Hong Kong, at amortised cost	231,308	375,075
Unlisted debt securities, at amortised cost	<u>129,579</u>	<u>136,792</u>
Total held-to-maturity securities	<u>554,224</u>	<u>697,217</u>
Fair value of listed and unlisted held-to-maturity securities	<u>584,202</u>	<u>709,880</u>

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

None of the held-to-maturity securities are either past due or impaired. The financial assets included in held-to-maturity securities relate to receivables for which there was no recent history of default.

31st December, 2014

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

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Public sector entities	3,664	42,598
Banks and other financial institutions	322,458	359,924
Corporate entities	228,102	294,695
	<u>554,224</u>	<u>697,217</u>

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
With a residual maturity of:		
Three months or less	–	7,817
One year or less but over three months	29,640	174,957
Five years or less but over one year	323,490	271,643
Over five years	201,094	242,800
	<u>554,224</u>	<u>697,217</u>

At the end of the reporting period, the Group invested in the held-to-maturity securities with investment grade and non-investment grade amounting to HK\$445,959,000 (2013: HK\$549,422,000) and HK\$108,265,000 (2013: HK\$147,795,000), respectively.

During the year, a cedant of certain pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 31st December, 2014, listed debt securities of the Group amounting to HK\$128,853,000 (2013: HK\$127,981,000) were pledged.

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19. Available-For-Sale Securities

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Listed equities in Hong Kong, at fair value	181,320	162,366	-	-
Listed equities outside Hong Kong, at fair value	1,629,521	1,267,117	-	-
Total listed available-for-sale securities	1,810,841	1,429,483	-	-
Unlisted equities, at cost	1,621,587	1,616,587	1,524,085	1,524,085
Less: Impairment	(32,056)	(41,616)	-	-
	1,589,531	1,574,971	1,524,085	1,524,085
Unlisted debt, at cost	6,213	32,673	-	-
Less: Impairment	(6,213)	(6,213)	-	-
	-	26,460	-	-
Total unlisted available-for-sale securities	1,589,531	1,601,431	1,524,085	1,524,085
Total available-for-sale securities	3,400,372	3,030,914	1,524,085	1,524,085

31st December, 2014

19. Available-For-Sale Securities (cont'd)

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Banks and other financial institutions	2,426,033	2,346,570	1,522,010	1,522,010
Corporate entities	974,339	684,344	2,075	2,075
	<u>3,400,372</u>	<u>3,030,914</u>	<u>1,524,085</u>	<u>1,524,085</u>

Particulars of certain available-for-sale securities of the Group and the Company, of which the carrying amount at 31st December, 2014 amounted to HK\$2,397,609,000 (2013: HK\$2,318,916,000) and HK\$1,522,010,000 (2013: HK\$1,522,010,000), respectively, are as follows:

Name	Place of registration	Class of equity held	Proportion held
Direct			
PICC Life Insurance Company Limited ("PICC Life")	The People's Republic of China	Ordinary	5%
Indirect			
Bangkok Bank Public Company Limited	Thailand	Ordinary	0.99%

During the year, the gross gain in respect of the Group's available-for-sale listed investments recognised in other comprehensive income amounted to HK\$381,358,000 (2013: gross loss of HK\$167,423,000).

Included in the unlisted equity investments are investments in certain companies in which the percentage of equity attributable to the Group exceeds 20%. These investments, however, are not equity accounted for in accordance with HKAS 28 (2011) *Investments in Associates and Joint Ventures* as the directors consider that the Group is not in a position to exercise significant influence over such companies' operations. The results of these companies are dealt with in the consolidated statement of profit or loss to the extent of dividends received/receivable from these companies.

The particulars of these companies are as follows:

Name	Place of incorporation	Class of shares held	Proportion held
Robina Manila Hotel Limited	British Virgin Islands	Ordinary	25%
Yangon Hotel Holdings Limited	Cook Islands	Ordinary	30%

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31st December, 2014

19. Available-For-Sale Securities (cont'd)

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale equity investments of the Group and of the Company with carrying amounts of HK\$1,589,531,000 (2013: HK\$1,574,971,000) and HK\$1,524,085,000 (2013: HK\$1,524,085,000), respectively, are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 31st December, 2014, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2013: HK\$200,000,000) (note 31).

20. Loans and Advances and Other Assets

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loans and advances	22,420	55,539	–	25,000
Accrued interest and other assets	165,805	164,813	9,949	9,059
Gross loans and advances and other assets	188,225	220,352	9,949	34,059

During the year ended 31st December, 2013, the Group entered into a sale and purchase agreement with an independent third party to acquire a property in Hong Kong at a cash consideration of HK\$160,000,000. As at 31st December, 2013, included in accrued interest and other assets was a deposit of HK\$16,000,000 paid by the Group for the acquisition. The acquisition was completed and the deposit was transferred to property, plant and equipment during the year ended 31st December, 2014.

Except for the above deposit which was classified as a non-current asset as at 31st December, 2013, the Group's and the Company's accrued interest and other assets were current in nature as at 31st December, 2014 and 2013. 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.

31st December, 2014

20. Loans and Advances and Other Assets (cont'd)

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Repayable on demand	-	-	-	-
With a residual maturity of:				
Three months or less	543	411	-	-
One year or less but over three months	1,556	41,251	-	25,000
Five years or less but over one year	7,364	5,558	-	-
Over five years	12,957	8,319	-	-
	<u>22,420</u>	<u>55,539</u>	<u>-</u>	<u>25,000</u>

21. Securities Measured at Fair Value Through Profit or Loss

	Group	
	2014 HK\$'000	2013 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	100,578	86,545
– listed outside Hong Kong, at fair value	167,803	231,132
– unlisted, at quoted market price	42,867	132,756
	<u>311,248</u>	<u>450,433</u>
Equity securities at fair value:		
– listed in Hong Kong	367,314	503,691
– listed outside Hong Kong	378,319	241,397
	<u>745,633</u>	<u>745,088</u>
Investment funds:		
– unlisted, at quoted price	579,730	717,239
Total	<u>1,636,611</u>	<u>1,912,760</u>

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21. Securities Measured at Fair Value Through Profit or Loss (cont'd)

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:

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Public sector entities	20,108	26,575
Banks and other financial institutions	387,450	384,162
Corporate entities	1,229,053	1,502,023
	<u>1,636,611</u>	<u>1,912,760</u>

Securities measured at fair value through profit or loss at 31st December, 2014 and 2013 were classified as held for trading.

As at 31st December, 2014, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2013: HK\$200,000,000) (note 31).

22. Insurance Receivables

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amounts due in respect of:		
Direct underwriting	101,386	127,870
Reinsurance accepted	107,541	122,525
	<u>208,927</u>	<u>250,395</u>

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.

31st December, 2014

22. Insurance Receivables (cont'd)

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:

	Group	
	2014 HK\$'000	2013 HK\$'000
Three months or less	200,134	229,017
Six months or less but over three months	10,769	22,677
One year or less but over six months	261	739
Over one year	529	731
	211,693	253,164
Less: Impairment allowances	(2,766)	(2,769)
	208,927	250,395

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

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1st January	2,769	2,769
Write-back of impairment (<i>note 6</i>)	(3)	–
At 31st December	2,766	2,769

Included in the above provision for impairment of insurance receivables at 31st December, 2014 was a provision for an individually impaired insurance receivable of HK\$488,000 (2013: HK\$488,000) with a gross carrying amount of HK\$488,000 (2013: HK\$488,000). The individually impaired insurance receivable related to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over the balance.

Notes to Financial Statements

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22. Insurance Receivables (cont'd)

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not past due	200,134	229,017
Less than one month past due	8,661	17,546
Over one month past due	132	3,832
	<u>208,927</u>	<u>250,395</u>

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

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

23. Reinsurance Assets

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Reinsurers' share of insurance contracts liabilities (<i>note 27</i>)	<u>554,315</u>	<u>588,997</u>

31st December, 2014

24. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	219,650	153,893	3,836	8,632
Time deposits with original maturity of over three months	550,887	289,571	-	-
Time deposits with original maturity of less than three months	1,402,340	1,123,469	272,623	164,607
	<u>2,172,877</u>	<u>1,566,933</u>	<u>276,459</u>	<u>173,239</u>
Pledged deposits	131,730	120,080	-	-
	<u>2,304,607</u>	<u>1,687,013</u>	<u>276,459</u>	<u>173,239</u>

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

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

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

	Group	
	2014 HK\$'000	2013 HK\$'000
With a residual maturity of:		
Three months or less	1,814,148	1,349,004
Over three months but less than one year	490,459	338,009
	<u>2,304,607</u>	<u>1,687,013</u>

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25. Share Capital

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
1,019,200,000 (2013: 1,019,200,000) ordinary shares of HK\$1 each	<u>1,019,200</u>	<u>1,019,200</u>

26. Reserves

(a) Group

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

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

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

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

No withdrawal was made to the CR during the year ended 31st December, 2014 (2013: Nil).

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26. Reserves (cont'd)**(b) Company**

	Note	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2013		560,531	60,060	38,821	2,526,778	3,186,190
Profit for the year and total comprehensive income for the year		-	-	-	228,317	228,317
Interim 2013 dividend	11	-	-	-	(15,288)	(15,288)
Proposed final 2013 dividend	11	-	-	-	(45,864)	(45,864)
At 31st December, 2013 and at 1st January, 2014		560,531	60,060	38,821	2,693,943	3,353,355
Profit for the year and total comprehensive income for the year		-	-	-	145,654	145,654
Interim 2014 dividend	11	-	-	-	(30,576)	(30,576)
Proposed final 2014 dividend	11	-	-	-	(50,960)	(50,960)
At 31st December, 2014		560,531	60,060	38,821	2,758,061	3,417,473

The profit of HK\$145,654,000 (2013: HK\$228,317,000) for the year ended 31st December, 2014 included dividend income of HK\$130,000,000 (2013: HK\$240,000,000) received from a subsidiary of the Company.

**27. Insurance Contracts Liabilities
Group**

	Notes	2014			2013		
		Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Life insurance contracts	(a)	46,677	-	46,677	40,404	-	40,404
General insurance contracts	(b)	2,344,715	(554,315)	1,790,400	2,211,418	(588,997)	1,622,421
Total insurance contracts liabilities		2,391,392	(554,315)	1,837,077	2,251,822	(588,997)	1,662,825
			(note 23)			(note 23)	

Notes to Financial Statements

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27. Insurance Contracts Liabilities (cont'd)

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

		2014			2013		
	Notes	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Life reserve	(1)	44,619	-	44,619	39,888	-	39,888
Provision for claims	(2)	2,058	-	2,058	516	-	516
		<u>46,677</u>	<u>-</u>	<u>46,677</u>	<u>40,404</u>	<u>-</u>	<u>40,404</u>

(1) Life reserve is analysed as follows:

	2014 HK\$'000	2013 HK\$'000
At 1st January	39,888	35,009
Increase in the year	4,731	4,879
At 31st December	<u>44,619</u>	<u>39,888</u>

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

	2014			2013		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	516	-	516	1,085	-	1,085
Claims incurred during the year	9,324	(3,192)	6,132	10,677	(4,427)	6,250
Claims paid during the year	(7,782)	3,192	(4,590)	(11,246)	4,427	(6,819)
At 31st December	<u>2,058</u>	<u>-</u>	<u>2,058</u>	<u>516</u>	<u>-</u>	<u>516</u>

27. Insurance Contracts Liabilities (cont'd)

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

Notes	2014			2013		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Provision for claims reported by policyholders	765,854	(186,789)	579,065	731,183	(228,235)	502,948
Provision for claims incurred but not reported ("IBNR")	772,402	(118,800)	653,602	634,402	(97,900)	536,502
Total claims reported and IBNR (1)	1,538,256	(305,589)	1,232,667	1,365,585	(326,135)	1,039,450
Provision for unearned premiums (2)	806,459	(248,726)	557,733	845,833	(262,862)	582,971
Total general insurance contract liabilities	2,344,715	(554,315)	1,790,400	2,211,418	(588,997)	1,622,421

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

	2014			2013		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	1,365,585	(326,135)	1,039,450	1,131,008	(260,740)	870,268
Claims incurred during the year	671,681	(124,614)	547,067	752,048	(177,264)	574,784
Claims paid during the year	(499,010)	145,160	(353,850)	(517,471)	111,869	(405,602)
At 31st December	1,538,256	(305,589)	1,232,667	1,365,585	(326,135)	1,039,450

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

	2014			2013		
	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	845,833	(262,862)	582,971	766,022	(280,400)	485,622
Premiums written during the year	1,257,555	(360,817)	896,738	1,420,685	(393,323)	1,027,362
Premiums earned during the year	(1,296,929)	374,953	(921,976)	(1,340,874)	410,861	(930,013)
At 31st December	806,459	(248,726)	557,733	845,833	(262,862)	582,971

Notes to Financial Statements

31st December, 2014

28. Net Premiums

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		878,937	908,562
Reinsurance accepted		378,618	512,123
Total gross general insurance premiums	<i>27(b)(2)</i>	1,257,555	1,420,685
Gross life insurance premiums		22,070	27,395
Change in gross unearned premiums		39,374	(79,811)
Change in life reserve	<i>27(a)(1)</i>	(4,731)	(4,879)
Total gross premiums		1,314,268	1,363,390
(b) Reinsurers' share of gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		(267,429)	(266,426)
Reinsurance accepted		(93,388)	(126,897)
Total gross general insurance premiums	<i>27(b)(2)</i>	(360,817)	(393,323)
Gross life insurance premiums		(9,139)	(9,383)
Change in unearned premiums		(14,136)	(17,538)
Total reinsurers' share of gross premiums		(384,092)	(420,244)

Notes to Financial Statements

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29. Net Claims Incurred

	Notes	2014 HK\$'000	2013 HK\$'000
(a) Gross claims paid			
Life insurance contracts claims paid	27(a)(2)	(7,782)	(11,246)
General insurance contracts claims paid	27(b)(1)	(499,010)	(517,471)
Total gross claims paid		<u>(506,792)</u>	<u>(528,717)</u>
(b) Reinsurers' share of gross claims paid			
Life insurance contracts claims paid	27(a)(2)	3,192	4,427
General insurance contracts claims paid	27(b)(1)	145,160	111,869
Total reinsurers' share of gross claims paid		<u>148,352</u>	<u>116,296</u>
(c) Gross change in outstanding claims			
Change in life insurance outstanding claims		(1,542)	569
Change in general insurance outstanding claims		(172,671)	(234,577)
Total gross change in outstanding claims		<u>(174,213)</u>	<u>(234,008)</u>
(d) Reinsurers' share of gross change in outstanding claims			
General insurance outstanding claims		<u>(20,546)</u>	<u>65,395</u>

30. Other Liabilities

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Accruals and other payables	<u>244,713</u>	<u>257,315</u>	<u>8,171</u>	<u>8,576</u>

Included in other liabilities of the Group as at 31st December, 2013 was an amount due to a non-controlling shareholder of a subsidiary of HK\$21,228,000. The amount due to that non-controlling shareholder was unsecured, interest-free and fully repaid during the year.

The Group's and the Company's other liabilities were current in nature as at 31st December, 2014 and 2013.

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31. Interest-Bearing Bank Borrowing

Group

	2014			2013		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loan – secured	HIBOR+1.15	2015	150,000	HIBOR+1	2014	200,000

The Group's bank loan is denominated in Hong Kong dollars and secured by the pledge of certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2013: HK\$200,000,000) (notes 19 and 21).

32. Deferred Tax

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

Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross deferred tax liabilities at			
1st January, 2013, 31st December, 2013,			
1st January, 2014 and 31st December, 2014	442	9,834	10,276

Deferred tax assets

	Losses available for offsetting against future taxable profits <i>HK\$'000</i>
At 1st January, 2013	12,001
Deferred tax charged to the statement of profit or loss during the year (note 9)	(4,460)
At 31st December, 2013 and 1st January, 2014	7,541
Deferred tax charged to the statement of profit or loss during the year (note 9)	(1,355)
Gross deferred tax assets at 31st December, 2014	6,186

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32. Deferred Tax (cont'd)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>5,756</u>	<u>7,111</u>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(9,846)</u>	<u>(9,846)</u>

The Group has tax losses arising in Hong Kong of HK\$217,162,000 (2013: HK\$190,495,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

33. Contingent Liabilities

As at 31st December, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.7 million) (31st December, 2013: RMB112.5 million) issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

34. Commitments

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Contracted, but not provided for:		
Acquisition of computer software	900	900
Acquisition of property, plant and equipment	–	144,000
	<u>900</u>	<u>144,900</u>

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

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35. Related Party Transactions

(a) Group

	2014		2013	
	Directors and key management personnel <i>HK\$'000</i>	Enterprises and individuals related to directors and key management personnel <i>HK\$'000</i>	Directors and key management personnel <i>HK\$'000</i>	Enterprises and individuals related to directors and key management personnel <i>HK\$'000</i>
Loans and advances granted:				
Aggregate balance at the end of the reporting period	-	56	-	21,310
Interbank activities:				
Deposits placed	-	1,141,089	-	595,670
Interest income	-	7,102	-	4,980
Premium income:				
Gross premiums written	195	3,305	192	3,771
Commission expense, net	-	5,760	-	2,649

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loans and advances granted:		
Aggregate balance as at the end of the reporting period	8,669	11,503
Interest income received or receivable	304	384
Loan and advance received:		
Aggregate balance as at the end of the reporting period	25,761	25,817
Interest expenses paid or payable	828	427
Reinsurance premium ceded	6	9

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loans and advances granted:		
Aggregate balance at the end of the reporting period	168,390	168,390
Commission expense paid	21,868	9,078

35. Related Party Transactions (cont'd)

- (d) Details of the Group's advances to its joint ventures and associates as at the end of the reporting period are included in notes 16 and 17 to the financial statements, respectively.
- (e) Details of compensation for key management personnel, who are the directors of the Company, and post-employment benefits of the Group, are included in notes 7 and 8 to the financial statements, respectively.

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

General insurance contracts

(1) Terms and conditions

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

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

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

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

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

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

(2) Assumptions

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

Notes to Financial Statements

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

General insurance contracts (cont'd)

(3) Sensitivities

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

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

(4) Loss development triangle

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

The tables show the estimates of cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at the end of each reporting period, together with cumulative claims as at 31st December, 2014.

Gross general insurance claims

	2005 and before	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accident year	1,665,769	350,726	382,549	403,169	355,504	408,407	549,509	587,258	688,871	681,583	
One year later	1,635,951	342,124	388,776	390,049	355,887	431,873	655,470	615,036	666,854	-	
Two years later	1,567,753	334,451	383,015	412,656	373,022	475,282	721,217	622,608	-	-	
Three years later	1,621,754	329,234	382,481	421,836	348,747	482,670	728,873	-	-	-	
Four years later	1,632,060	326,674	378,447	414,587	343,134	484,380	-	-	-	-	
Five years later	1,642,236	320,216	379,036	394,183	336,706	-	-	-	-	-	
Six years later	1,615,341	319,548	382,718	396,222	-	-	-	-	-	-	
Seven years later	1,612,419	315,715	378,090	-	-	-	-	-	-	-	
Eight years later	1,603,796	315,967	-	-	-	-	-	-	-	-	
Nine years later	1,605,961	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative gross claims	1,605,961	315,967	378,090	396,222	336,706	484,380	728,873	622,608	666,854	681,583	6,217,244
Cumulative gross payments to date	(1,591,419)	(304,573)	(359,944)	(373,146)	(304,260)	(412,244)	(550,187)	(376,923)	(284,195)	(122,097)	(4,678,988)
Total gross general insurance outstanding claims provision per the consolidated statement of financial position	14,542	11,394	18,146	23,076	32,446	72,136	178,686	245,685	382,659	559,486	1,538,256

(Note 27(b))

31st December, 2014

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

General insurance contracts (cont'd)

(4) Loss development triangle (cont'd)

Net general insurance claims

	2005 and before	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accident year	908,639	220,375	243,904	311,628	302,613	331,523	451,474	453,795	548,608	558,328	
One year later	1,075,890	229,650	245,053	289,249	285,137	344,740	530,070	484,725	538,786	-	
Two years later	1,117,111	229,936	248,861	297,333	279,614	376,135	567,032	482,317	-	-	
Three years later	1,138,839	223,191	244,492	297,031	259,463	362,799	574,023	-	-	-	
Four years later	1,140,946	217,667	238,116	288,384	254,038	361,891	-	-	-	-	
Five years later	1,140,979	212,383	238,741	271,526	249,595	-	-	-	-	-	
Six years later	1,123,450	210,668	245,205	268,164	-	-	-	-	-	-	
Seven years later	1,116,364	206,741	242,595	-	-	-	-	-	-	-	
Eight years later	1,107,662	207,730	-	-	-	-	-	-	-	-	
Nine years later	1,110,411	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative net claims	1,110,411	207,730	242,595	268,164	249,595	361,891	574,023	482,317	538,786	558,328	4,593,840
Cumulative net payments to date	(1,097,845)	(197,145)	(226,908)	(248,132)	(223,985)	(298,576)	(427,212)	(282,148)	(218,017)	(141,205)	(3,361,173)
Total net general insurance outstanding claims provision per the consolidated statement of financial position	12,566	10,585	15,687	20,032	25,610	63,315	146,811	200,169	320,769	417,123	1,232,667

(Note 27(b))

37. Fair Value Hierarchy of Financial Instruments

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

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

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

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

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

	Fair value measurement using		
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December, 2013			
Available-for-sale securities:			
Equity investments	959,272	470,211	1,429,483
Securities measured at fair value through profit or loss	979,782	932,978	1,912,760
	<u>1,939,054</u>	<u>1,403,189</u>	<u>3,342,243</u>

As at 31st December, 2014 and 2013, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

The Company did not have any financial asset measured at fair value as at 31st December, 2014 and 2013.

During the year ended 31st December, 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

During the years ended 31st December, 2014 and 2013, there were no transfers of fair value measurements into or out of Level 3 for both financial assets and financial liabilities.

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

Assets for which fair values are disclosed:

Group

	Fair value measurement using		
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st December, 2014			
Held-to-maturity securities	<u>424,645</u>	<u>129,579</u>	<u>554,224</u>
As at 31st December, 2013			
Held-to-maturity securities	<u>560,425</u>	<u>136,792</u>	<u>697,217</u>

38. 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.

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

(1) Internal control environment (cont'd)

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

(2) Credit risk management

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from amounts due from a joint venture and an associate, held-to-maturity securities, available-for-sale securities, loans and advances and other assets, and insurance receivables are disclosed in notes 16, 17, 18, 19, 20 and 22 to the financial statements.

(3) Liquidity risk management

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

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

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

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

Group	2014			
	On demand and less than 1 year <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision for claims reported by policyholders	215,015	552,897	–	767,912
IBNR	216,273	556,129	–	772,402
Insurance payables	138,144	–	–	138,144
Due to a joint venture	26,589	–	–	26,589
Due to associates	4,222	–	–	4,222
Other liabilities	244,713	–	–	244,713
Interest-bearing bank borrowing	150,195	–	–	150,195
Counter guarantee given to the PICC Group in connection with a subordinated term debt issued by an investee	140,704	–	–	140,704
	1,135,855	1,109,026	–	2,244,881

Group	2013			
	On demand and less than 1 year <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision for claims reported by policyholders	219,510	512,189	–	731,699
IBNR	190,321	444,081	–	634,402
Insurance payables	200,163	–	–	200,163
Due to a joint venture	26,244	–	–	26,244
Due to associates	4,222	–	–	4,222
Other liabilities	257,315	–	–	257,315
Interest-bearing bank borrowing	200,232	–	–	200,232
Counter guarantee given to the PICC Group in connection with a subordinated term debt issued by an investee	144,079	–	–	144,079
	1,242,086	956,270	–	2,198,356

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

(3) Liquidity risk management (cont'd)

Company	2014			
	On demand and less than 1 year <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other liabilities	8,171	–	–	8,171
Due to subsidiaries	139,517	–	–	139,517
Counter guarantee given to the PICC Group in connection with a subordinated term debt issued by an investee	140,704	–	–	140,704
	288,392	–	–	288,392

Company	2013			
	On demand and less than 1 year <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other liabilities	8,576	–	–	8,576
Due to subsidiaries	159,532	–	–	159,532
Counter guarantee given to the PICC Group in connection with a subordinated term debt issued by an investee	144,079	–	–	144,079
	312,187	–	–	312,187

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

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

Group

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

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

(3) Liquidity risk management (cont'd)

Group (cont'd)

31st December, 2013	Current* <i>HK\$'000</i>	Non-current <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	–	144,657	144,657
Investment properties	–	7,260	7,260
Interests in joint ventures	–	227,615	227,615
Loans to a joint venture	2,834	8,669	11,503
Interests in associates	–	291,389	291,389
Due from an associate	–	168,390	168,390
Deferred tax assets	–	7,111	7,111
Held-to-maturity securities	182,774	514,443	697,217
Available-for-sale securities	–	3,030,914	3,030,914
Pledged deposits	120,080	–	120,080
Loans and advances and other assets	190,475	29,877	220,352
Securities measured at fair value through profit or loss	1,912,760	–	1,912,760
Insurance receivables	205,545	44,850	250,395
Reinsurance assets	588,997	–	588,997
Cash and cash equivalents	<u>1,566,933</u>	<u>–</u>	<u>1,566,933</u>
Total assets	<u>4,770,398</u>	<u>4,475,175</u>	<u>9,245,573</u>

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

31st December, 2014

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

31st December, 2014	Current* <i>HK\$'000</i>	Non-current <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interests in subsidiaries	–	1,741,447	1,741,447
Due from subsidiaries	–	1,085,585	1,085,585
Available-for-sale securities	–	1,524,085	1,524,085
Loans and advances and other assets	9,949	–	9,949
Cash and cash equivalents	276,459	–	276,459
Total assets	286,408	4,351,117	4,637,525

31st December, 2013	Current* <i>HK\$'000</i>	Non-current <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interests in subsidiaries	–	1,705,757	1,705,757
Due from subsidiaries	–	1,149,873	1,149,873
Available-for-sale securities	–	1,524,085	1,524,085
Loans and advances and other assets	34,059	–	34,059
Cash and cash equivalents	173,239	–	173,239
Total assets	207,298	4,379,715	4,587,013

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

Notes to Financial Statements

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

(4) Capital management

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

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

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

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

	Life insurance <i>HK\$'000</i>	Non-life insurance <i>HK\$'000</i>
2014 required Relevant Amount	10,290	143,267
2013 required Relevant Amount	16,564	123,945

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

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contracts liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 31st December, 2014, the Group had no net debt.

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38. Financial Risk Management Objectives and Policies (cont'd)**(5) Interest rate risk management**

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

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

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

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

	Change in interest rate	2014		2013	
		Increase/(decrease) in profit HK\$'000	in equity* HK\$'000	Increase/(decrease) in profit HK\$'000	in equity* HK\$'000
Securities measured					
at fair value through	+50 basis points	(2,843)	–	(3,981)	–
profit or loss	–50 basis points	2,843	–	3,981	–
Interest-bearing	+50 basis points	11,143	–	8,106	–
bank deposits	–50 basis points	(11,143)	–	(8,106)	–
Loans and advances	+50 basis points	112	–	78	–
and other assets	–50 basis points	(112)	–	(78)	–
Loans to joint ventures	+50 basis points	43	–	58	–
	–50 basis points	(43)	–	(58)	–
Interest-bearing bank	+50 basis points	(750)	–	(1,000)	–
borrowing	–50 basis points	750	–	1,000	–
Due to a joint venture	+50 basis points	(129)	–	(129)	–
	–50 basis points	129	–	129	–

* Excluding retained profits

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

(6) Foreign exchange risk management

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

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

	Change in exchange rate %	Decrease in profit before tax <i>HK\$'000</i>	Decrease in equity* <i>HK\$'000</i>
2014			
If Thai Baht weakens against Hong Kong dollar	-5%	(8,897)	(81,476)
If Japanese Yen weakens against Hong Kong dollar	-8%	(1,403)	-
If Renminbi weakens against Hong Kong dollar	-7%	(48,203)	(7)
2013			
If Thai Baht weakens against Hong Kong dollar	-5%	(5,729)	(63,356)
If Japanese Yen weakens against Hong Kong dollar	-8%	(1,274)	-
If Renminbi weakens against Hong Kong dollar	-7%	(39,712)	(7)

* Excluding retained profits

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

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent 98% of its total gross premiums written.

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

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

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

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

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers 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.

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

(7) Insurance risk management (cont'd)

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

	2014			2013		
	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>
Employees' compensation	729,544	(117,289)	612,255	646,508	(121,700)	524,808
Property damage	533,060	(173,953)	359,107	531,761	(190,528)	341,233
General liability	509,568	(177,989)	331,579	465,023	(185,957)	279,066
Motor vehicle	306,336	(34,001)	272,335	284,970	(28,749)	256,221
Others	266,207	(51,083)	215,124	283,156	(62,063)	221,093
Total general insurance	<u>2,344,715</u>	<u>(554,315)</u>	<u>1,790,400</u>	<u>2,211,418</u>	<u>(588,997)</u>	<u>1,622,421</u>

As at 31st December, 2014, over 90% (2013: 90%) of the general insurance contracts liabilities were related to the business written in Hong Kong, Macau and Mainland China.

(8) Operational risk management

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

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

31st December, 2014

38. Financial Risk Management Objectives and Policies (cont'd)**(9) Equity price risk management**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss (note 21) and available-for-sale securities (note 19) as at 31st December, 2014. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, the United States, and Thailand and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every change of 15%, 10%, 5% and 10% in the fair values of the securities listed in Hong Kong, the United States, Thailand and all other areas, respectively, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, the impact for the available-for-sale securities is deemed to be on the available-for-sale investment reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

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

* Excluding retained profits

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

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

	Change in sensitivity %	Carrying amount of securities <i>HK\$'000</i>	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2013				
Equity investments in:				
Hong Kong				
– Available-for-sale securities	+15%	162,366	–	24,355
	–15%	162,366	–	(24,355)
– Listed securities measured at fair value through profit or loss	+15%	503,691	75,554	–
	–15%	503,691	(75,554)	–
United States				
– Listed securities measured at fair value through profit or loss	+10%	114,053	11,405	–
	–10%	114,053	(11,405)	–
Thailand				
– Available-for-sale securities	+5%	1,267,117	–	63,356
	–5%	1,267,117	–	(63,356)
– Listed securities measured at fair value through profit or loss	+5%	110,547	5,527	–
	–5%	110,547	(5,527)	–
All other areas				
– Listed securities measured at fair value through profit or loss	+10%	16,797	1,680	–
	–10%	16,797	(1,680)	–

* Excluding retained profits

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24th March, 2015.