



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

Incorporated in Bermuda with limited liability

(Stock Code: 662)

INTERIM REPORT

For the six months ended 30th June, 2019

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Board of Directors

Executive Directors

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

Non-Executive Directors

KAWAUCHI Yuji
IDE Kentaro

Independent Non-Executive Directors

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

Audit Committee

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

Compliance Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Committee

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

Auditor

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

Registered Office

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Bermuda

Head Office and Principal Place of Business

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Principal Registrar and Transfer Office

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Clarendon House
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Bermuda

Branch Registrar and Transfer Office

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

Company Secretary

WONG Ka Kong Adam

Share Listing

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

Asia Financial Holdings Limited ("Asia Financial") recorded net profit attributable to shareholders of HK\$244.6 million in the first half of 2019, a 120.7% increase over the same period in 2018. This largely reflected realised and unrealised increases in the value of portfolio investments during a period of market strengthening. Underwriting profits remained at a steady and healthy level. Overall contributions from our joint-ventures and associates were broadly positive. Our expenses remained under control and in line with inflation.

Asia Financial's prospects for the second half of the year depend on the performance of global financial markets, which are potentially volatile, and continuous trade tension between US and China, and the impact of political protests to Hong Kong. The outlook for our insurance operations is good. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

Economic Background

Overall global economic growth was steady in the first half of 2019, despite uncertainties over such issues as US-China trade relations and Brexit. The US performed particularly well, with unemployment low, corporate earnings strong and consumer spending firm. Interest rates remained low. Hong Kong's GDP growth slowed to 0.4% (from a strong previous year) because of weakening trade and investment, although unemployment and inflation remained low. China's economy also showed signs of slowing.

Markets performed strongly during the period, helped by good corporate earnings and expectations of lower interest rates. The Hang Seng Index rose 10.4% during the first half, while H Shares went up 7.5% and the S&P500 rose 17.3%. Bond markets similarly performed well.

Management Approach and Future Prospects

The global and regional economic fundamentals at mid-2019 are mixed. Where portfolio investment is concerned, we believe fundamentals and policy will maintain strength in the US markets. Our main concerns are US-China trade relations, slower growth in Mainland China and the impact of political protests in Hong Kong. These factors point to lower domestic consumption and tourist arrivals, and in turn further weaken the economy of Hong Kong. We will maintain a particularly cautious portfolio investment strategy accordingly.

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

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

This is the long-term environment on which Asia Financial's management focuses. We aim to continue building on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Greater China and elsewhere in Asia. Our investment spheres fit well with our traditional expertise and networks of clients and partners, and as a whole are well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

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

CHAN Yau Hing Robin

Chairman

Hong Kong, 21st August, 2019

Management Discussion and Analysis

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved profit attributable to shareholders of HK\$149.5 million in the first half of 2019, a 59.9% increase compared with the same period in 2018.

Turnover rose by 22.1%. This was largely due to an increased number of agent and brokerage distribution channels and good market reception for upgraded product lines. There was no exposure to major catastrophes in the period. Underwriting profit in the first half of 2019 fell by 21.4%, reflecting an exceptional writeback in the same period in 2018; our fundamental underwriting profit trend remains healthy and stable. (All the above figures are before elimination of intergroup transactions.)

Realised and unrealised gains in investments showed a very positive year-on-year increase, due to strong market performance during the period. Dividend and interest income were satisfactory.

The rise in Asia Insurance’s costs in the first half of 2019 was in line with the company’s business growth and market trends in pay.

The outlook for Asia Insurance’s core underwriting activities looks positive for the second half of 2019 and beyond in both Hong Kong and Macau. We will continue to utilize our risk management expertise to focus on quality business, optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

Asia Insurance continued in the first half of 2019 to develop its distribution network through new agents and brokers. We are successfully introducing an on-line platform for business partners. We are also actively working on significant enhancements to our product range, and ongoing upgrades to employee skills, systems and distribution capacity in anticipation of future trends in clients’ needs and market conditions.

Looking ahead, we also anticipate possible opportunities arising from the central government’s “Greater Bay Area” plan to further integrate Pearl River Delta regions. In general, Asia Insurance expects to continue to build on its status as a leader in Hong Kong’s general insurance market with an outstanding reputation for service and professionalism.

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

Joint ventures and associates in the insurance segment performed acceptably in the first half of 2019. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited all reported generally healthy performances. The People’s Insurance Company of China (Hong Kong) Limited saw a decline in profit due to underwriting loss.

PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. PICC Life reported RMB70.8 billion in premium income for the first half of 2019, a 1.4% increase over the same period in 2018. All other business performance and risk control indicators showed positive and healthy figures. PICC Life’s insurance liability reserves and solvency ratio were maintained at high levels in line with the business volume. This stake is Asia Financial’s single biggest external holding, accounting for 18.3% of our total assets.

Business Review (continued)

Other Portfolio Investment

Trading investments showed healthy realised and unrealised gains in the first half of 2019. This reflected strength in the Hong Kong, China and US equities markets, largely due to good corporate earnings and expectations of lower interest rates, and higher dividend income. Returns from non-traded investments were healthy. Net interest income rose owing to higher returns from deposits.

Our portfolio will remain focused on good quality equities and fixed-income investments, and our approach will be long-term rather than reactive to year-on-year fluctuations in market valuations. We will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to potential new long-term opportunities arising from major developments in the international environment.

Health Care and Wellness

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

Pension and Asset Management

The Group’s holding in Bank Consortium Holding Limited (“BCH”), one of our joint ventures, generated healthy returns in the first half of 2019. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains one of the major providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group’s interests in real estate are focused on Shanghai and represent 2.7% of our total assets. The main project is a residential and commercial complex in Jiading in Shanghai, in which we have a 27.5% stake.

The only profits from the project booked in the first half of 2019 resulted from the sale of a number of car parking spaces. The first stage of Phase 3 of the project is nearing handover to customers, and we are preparing to apply for sales permits for the second stage. We are monitoring the possibility that local measures to regulate the residential property market might affect pricing.

Liquidity, Financial Resources and Gearing Ratio

The Group’s cash and cash equivalents as at 30th June, 2019 amounted to HK\$2,932,460,000 (31st December, 2018: HK\$2,699,974,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2019 (31st December, 2018: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 29th January, 2020 and charged at 1.25% over the 1,2,3 or 6-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2019. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

Charge on Assets

As at 30th June, 2019, Asia Insurance charged assets with a carrying value of HK\$119,584,000 (31st December, 2018: HK\$118,863,000) 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 financial assets at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2018: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2018: HK\$150,000,000).

Contingent Liabilities

As at 30th June, 2019, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2019 was 286 (31st December, 2018: 287). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2019. 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.

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2019 as follows:

Profit attributable to equity holders of the Company:	HK\$244.6 million	+120.7%
Earnings per share:	HK25.2 cents	+123.0%
Interim dividend per share:	HK3.5 cents	+75.0%

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

Review of Interim Financial Statements

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th June, 2019 and recommended it for the Board’s approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK3.5 cents (2018: HK2.0 cents) per ordinary share for the six months ended 30th June, 2019 payable on or about Monday, 30th September, 2019 to shareholders whose names appear on the Register of Members of the Company on Thursday, 19th September, 2019.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 17th September, 2019 to Thursday, 19th September, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 16th September, 2019.



Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June,	
		2019 HK\$'000	2018 HK\$'000 (Restated)#
REVENUE	3	940,421	769,092
Gross premiums		940,421	769,092
Reinsurers' share of gross premiums		(340,137)	(272,348)
Change in unearned premiums reserve		(109,231)	(50,814)
Change in life reserve		(6,472)	(7,123)
Net insurance contracts premiums revenue		484,581	438,807
Gross claims paid		(565,140)	(354,065)
Reinsurers' share of gross claims paid		392,566	169,369
Gross change in outstanding claims		114,816	121,722
Reinsurers' share of gross change in outstanding claims		(166,615)	(111,739)
Net claims incurred		(224,373)	(174,713)
Commission income		69,478	53,310
Commission expense		(219,830)	(185,279)
Net commission expense		(150,352)	(131,969)
Management expenses for underwriting business		(35,307)	(36,157)
Underwriting profit		74,549	95,968
Dividend income		79,155	77,248
Realised gain on investments		20,344	995
Unrealised gain/(loss) on investments		65,076	(63,548)
Interest income		48,814	36,758
Other income and gains, net		802	9,038
		288,740	156,459
Operating expenses		(57,365)	(56,734)
Finance costs	4	(2,165)	(1,898)
		229,210	97,827
Share of profits and losses of joint ventures		29,334	21,686
Share of profits and losses of associates		2,753	6,133
PROFIT BEFORE TAX	5	261,297	125,646

Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June, 2019 HK\$'000	2018 HK\$'000 (Restated) [#]
PROFIT BEFORE TAX	5	261,297	125,646
Income tax expense	6	(16,178)	(12,372)
PROFIT FOR THE PERIOD		245,119	113,274
Attributable to:			
Equity holders of the Company		244,649	110,845
Non-controlling interests		470	2,429
		245,119	113,274
INTERIM DIVIDEND	7	33,907	19,509
INTERIM DIVIDEND PER SHARE	7	HK3.5 cents	HK2.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic – For profit for the period		HK25.2 cents	HK11.3 cents
Diluted – For profit for the period		N/A	N/A

[#] Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.



Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2019

	Note	Six months ended 30th June,	
		2019 HK\$'000	2018 HK\$'000 (Restated)#
PROFIT FOR THE PERIOD		245,119	113,274
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(expense) of joint ventures		15,668	(9,476)
Share of other comprehensive income/(expense) of associates		12,937	(13,196)
Exchange differences on translation of foreign operations		(381)	480
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		28,224	(22,192)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income:			
Changes in fair value	10	(30,745)	(972,079)
Income tax effect		(938)	73,464
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(31,683)	(898,615)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		(3,459)	(920,807)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		241,660	(807,533)
ATTRIBUTABLE TO:			
Equity holders of the Company		237,094	(807,591)
Non-controlling interests		4,566	58
		241,660	(807,533)

Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.



Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2019

	Notes	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
ASSETS			
Property, plant and equipment		181,113	183,611
Investment properties		287,900	287,900
Interests in joint ventures		412,202	395,672
Interests in associates		423,024	408,428
Due from associates		256,140	256,140
Held-to-collect debt securities at amortised cost	9	825,866	797,012
Equity investments designated at fair value through other comprehensive income	10	5,056,190	5,086,935
Pledged deposits	14	323,066	323,066
Loans and advances and other assets	11	119,833	90,055
Financial assets at fair value through profit or loss	12	1,410,448	1,514,638
Insurance receivables	13	368,288	239,309
Reinsurance assets		1,163,304	1,264,045
Cash and cash equivalents	14	2,932,460	2,699,974
		<u>13,759,834</u>	<u>13,546,785</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	15	969,262	973,180
Reserves		8,551,151	8,361,735
Proposed dividend		33,907	48,615
		<u>9,554,320</u>	<u>9,383,530</u>
Non-controlling interests		49,134	44,568
		<u>9,603,454</u>	<u>9,428,098</u>
Liabilities			
Insurance contracts liabilities		3,350,066	3,283,302
Insurance payables		191,693	176,081
Due to a joint venture		–	25,731
Due to associates		4,222	4,222
Other liabilities		219,871	240,223
Interest-bearing bank borrowing	16	150,000	150,000
Tax payable		64,346	63,884
Deferred tax liabilities		176,182	175,244
		<u>4,156,380</u>	<u>4,118,687</u>
Total liabilities		<u>4,156,380</u>	<u>4,118,687</u>
Total equity and liabilities		<u>13,759,834</u>	<u>13,546,785</u>



Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2019

	Attributable to equity holders of the Company													Non-controlling interests	Total
	Issued capital	Share premium account	Contingency reserve	Fair value reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed dividend	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		
At 1st January, 2019	973,180	560,531	69,890	2,862,741	141,570	(10,465)	2,427	513,240	84,841	4,136,960	48,615	9,383,530	44,568	9,428,098	
Profit for the period	-	-	-	-	-	-	-	-	-	244,649	-	244,649	470	245,119	
Other comprehensive income/(expense) for the period:															
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(31,683)	-	-	-	-	-	-	-	(31,683)	-	(31,683)	
Share of other comprehensive income of joint ventures	-	-	-	15,375	-	293	-	-	-	-	-	15,668	-	15,668	
Share of other comprehensive income/(expense) of associates	-	-	-	9,313	-	(472)	-	-	-	-	-	8,841	4,096	12,937	
Exchange differences on translation of foreign operations	-	-	-	-	-	(381)	-	-	-	-	-	(381)	-	(381)	
Total comprehensive income/(expense) for the period	-	-	-	(6,995)	-	(560)	-	-	-	244,649	-	237,094	4,566	241,660	
Final 2018 dividend declared	-	-	-	-	-	-	-	-	-	121	(48,615)	(48,494)	-	(48,494)	
Proposed interim 2019 dividend	-	-	-	-	-	-	-	-	-	(33,907)	33,907	-	-	-	
Repurchase of shares	(3,916)	-	-	-	-	-	-	-	-	(13,892)	-	(17,810)	-	(17,810)	
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	3,918	(3,918)	-	-	-	-	
Release from contingency reserve	-	-	(7,702)	-	-	-	-	-	-	7,702	-	-	-	-	
At 30th June, 2019	969,262	560,531*	62,188*	2,855,746*	141,570*	(11,025)*	2,427*	513,240*	88,759*	4,337,715*	33,907	9,554,320	49,134	9,603,454	

* These reserve accounts comprise the consolidated reserves of HK\$8,551,151,000 (31st December, 2018; HK\$8,361,735,000) in the unaudited condensed consolidated statement of financial position.

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June, 2019

Atributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Contingency reserve HK\$'000	Fair value reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Reserve of a disposal group classified as held for sale HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31st December, 2017 – HKAS 39	978,478	560,531	72,623	1,575,124	141,570	12,766	2,427	513,240	79,543	3,963,162	73,386	3,595	7,976,445	45,689	8,022,134
Impact of adopting HKFRS 9	-	-	-	2,103,554	-	-	-	-	-	-	-	-	2,103,554	-	2,103,554
Restatements (note 1.2)	-	-	-	2,891	-	-	-	-	-	8,911	-	(3,595)	8,207	-	8,207
At 1st January, 2018 – HKFRS 9	978,478	560,531	72,623	3,681,569	141,570	12,766	2,427	513,240	79,543	3,972,073	73,386	-	10,088,206	45,689	10,133,895
Profit for the period as previously reported	-	-	-	-	-	-	-	-	-	104,628	-	-	104,628	2,429	107,057
Equity accounting of a joint venture previously classified as held for sale (note 1.2)	-	-	-	-	-	-	-	-	-	6,217	-	-	6,217	-	6,217
Profit for the period as restated	-	-	-	-	-	-	-	-	-	110,845	-	-	110,845	2,429	113,274
Other comprehensive income/(expense) for the period:															
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(898,615)	-	-	-	-	-	-	-	-	(898,615)	-	(898,615)
Share of other comprehensive expense of joint ventures	-	-	-	(7)	-	(742)	-	-	-	-	-	-	(749)	-	(749)
Share of other comprehensive expense of associates	-	-	-	(5,391)	-	(5,434)	-	-	-	-	-	-	(10,825)	(2,371)	(13,196)
Exchange differences on translation of foreign operations	-	-	-	-	-	480	-	-	-	-	-	-	480	-	480
Equity accounting of a joint venture previously classified as held for sale (note 1.2)	-	-	-	(8,727)	-	-	-	-	-	-	-	-	(8,727)	-	(8,727)
Total comprehensive income/(expense) for the period	-	-	-	(912,740)	-	(5,696)	-	-	-	110,845	-	-	(807,591)	58	(807,533)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	-	122	(73,386)	-	(73,264)	-	(73,264)
Proposed Interim 2018 dividend	-	-	-	-	-	-	-	-	-	(19,509)	19,509	-	-	-	-
Repurchase of shares	(3,030)	-	-	-	-	-	-	-	-	(12,108)	-	-	(15,138)	-	(15,138)
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	3,030	(3,030)	-	-	-	-	-
Release from contingency reserve	-	-	(1,263)	-	-	-	-	-	-	1,263	-	-	-	-	-
Share of changes in contingency reserve of a joint venture	-	-	79	-	-	-	-	-	-	(79)	-	-	-	-	-
At 30th June, 2018	975,448	560,531	71,439	2,768,829	141,570	7,070	2,427	513,240	82,573	4,049,577	19,509	-	9,192,213	45,747	9,237,960



Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2019

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000 (Restated)#
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	261,297	125,646
Adjustments for:		
Interest income	(48,814)	(36,758)
Finance costs	2,165	1,898
Dividend income from investments	(79,155)	(77,248)
Gain on redemption/call-back of held-to-collect debt securities at amortised cost	(144)	(358)
Depreciation	3,942	3,823
Gain on disposal of interest in an associate	-	(313)
Gain on disposal of items of property, plant and equipment	(8)	(221)
Share of profits and losses of joint ventures	(29,334)	(21,686)
Share of profits and losses of associates	(2,753)	(6,133)
	107,196	(11,350)
Increase in loans and advances and other assets	(29,778)	(21,691)
Decrease/(increase) in financial assets at fair value through profit or loss	104,190	(58,294)
Increase in insurance receivables	(128,979)	(57,640)
Decrease in reinsurance assets	100,741	115,998
Decrease/(increase) in time deposits with original maturity of over three months	(831)	167,445
Increase/(decrease) in insurance contracts liabilities	66,764	(46,367)
Increase/(decrease) in insurance payables	15,612	(21,957)
Decrease in other liabilities	(19,899)	(22,624)
	215,016	43,520
Cash generated from operations	(15,715)	(6,628)
Hong Kong profits tax paid		
Net cash flows from operating activities	199,301	36,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	48,814	36,758
Dividends received from investments	79,155	68,966
Dividends received from joint ventures	2,099	8,526
Dividends received from associates	1,094	1,215
Purchases of held-to-collect debt securities at amortised cost	(109,505)	(97,468)
Proceeds from redemption/call back of held-to-collect debt securities at amortised cost	80,795	145,918
Purchases of items of property, plant and equipment	(1,446)	(8,887)
Proceeds from disposal of items of property, plant and equipment	10	533
Advance of loans to joint ventures	-	(20,538)
Decrease in an amount due to a joint venture	-	(2,964)
Proceeds from disposal of interest in an associate	-	831
Increase in pledged deposits	-	(54,369)
	101,016	78,521
Net cash flows from investing activities		

Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.

.....continued

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30th June, 2019

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000 (Restated)#
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	(17,810)	(15,138)
Dividends paid	(48,494)	(73,264)
Principal and interest elements of lease payments	(193)	–
Interest paid	(2,165)	(1,898)
	(68,662)	(90,300)
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,655	25,113
Cash and cash equivalents at beginning of period	2,669,513	2,416,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,901,168	2,441,540
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	204,306	196,305
Non-pledged time deposits with original maturity of over three months when acquired	31,292	43,352
Non-pledged time deposits with original maturity of less than three months when acquired	2,696,862	2,245,235
	2,932,460	2,484,892
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position		
Less: Non-pledged time deposits with original maturity of over three months when acquired	(31,292)	(43,352)
	2,901,168	2,441,540
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	2,901,168	2,441,540

Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.



Notes to the Interim Financial Statements (Unaudited)

1.1 Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted are consistent with those adopted in the Company’s financial statements for the year ended 31st December, 2018 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for accounting period beginning on or after 1st January, 2019 and as disclosed below.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

HKFRS 16

HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”), and lease contracts for which the underlying asset is of low value (“leases of low-value assets”).

The initial application of HKFRS 16 resulted in no initial recognition of lease liabilities and right-of-use assets as at 1st January, 2019, since the operating lease commitment of HK\$881,000 as at 31st December, 2018 was completely exempted as either short-term lease or leases of low value leases.

1.2 Restatements

On 20th March, 2017, Asia Insurance Company, Limited (“Asia Insurance”), a wholly-owned subsidiary of the Company, entered into a share sale agreement with an independent third party to dispose of 16.67% of the issued share capital of a joint venture, Hong Kong Life Insurance Limited (the “Disposal”), and the Group’s interests in Hong Kong Life Insurance Limited was classified as a disposal group held for sale as at 31st December, 2017, accordingly.

On 1st October, 2018, certain conditions precedent to completion of the Disposal had not been satisfied and Asia Insurance terminated the Disposal. The Group’s interests in Hong Kong Life Insurance Limited no longer met the criteria to be classified as held for sale. Accordingly, the results of the joint venture were equity-accounted for the period from 1st January, 2018 to 30th June, 2018 since the classification of the interests in the joint venture as held for sale and the results of the Group for the period ended 30th June, 2018, were restated, accordingly.

The effect of the restatement on the Group’s financial statements for the six months ended 30th June, 2018 is summarised as follows:

Impact on condensed consolidated statement of profit or loss:

	Increase HK\$'000
Share of results of joint ventures and net impact on profit for the period attributable to equity holders of the Company	6,217
Basic earnings per share attributable to ordinary equity holders of the Company	HK0.6 cent

Impact on condensed consolidated statement of comprehensive income:

	Increase/ (decrease) HK\$'000
Profit for the period	6,217
Share of other comprehensive income of joint ventures	(8,727)
Net impact on total comprehensive income for the period attributable to equity holders of the Company	(2,510)

Notes to the Interim Financial Statements (Unaudited)

1.2 Restatements (continued)

Impact on condensed consolidated statement of changes in equity as at 1st January, 2018:

	Increase/ (decrease) HK\$'000
Retained profits	8,911
Investment revaluation reserve	2,891
Reserve of a disposal group classified as held for sale	(3,595)
	<hr/>
Total equity	8,207
	<hr/> <hr/>

2. Operating Segment Information

(a) Operating segments

The following tables present revenue, profit and certain asset and liability information for the Group's operating segments.

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2019				
Segment revenue:				
External customers	940,421	-	-	940,421
Other revenue, income and gains, net	103,313	110,878	-	214,191
Intersegment	4,740	-	(4,740)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,048,474	110,878	(4,740)	1,154,612
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment results	143,871	85,339	-	229,210
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Share of profits and losses of:				
Joint ventures	14,169	15,165	-	29,334
Associates	2,351	402	-	2,753
	<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax				261,297
Income tax expense	(15,728)	(450)	-	(16,178)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period				245,119
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2018 (Restated) [#]				
Segment revenue:				
External customers	769,092	–	–	769,092
Other revenue, income and gains, net	26,676	33,815	–	60,491
Intersegment	478	–	(478)	–
	<u>796,246</u>	<u>33,815</u>	<u>(478)</u>	<u>829,583</u>
Total				
Segment results	<u>90,897</u>	<u>6,930</u>	<u>–</u>	<u>97,827</u>
Share of profits and losses of:				
Joint ventures	7,251	14,435	–	21,686
Associates	8,411	(2,278)	–	6,133
Profit before tax				125,646
Income tax expense	(11,693)	(679)	–	(12,372)
Profit for the period				<u>113,274</u>

[#] Details of the restatements are set out in note 1.2 to the condensed consolidated financial statements.

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
30th June, 2019			
Segment assets	7,042,694	5,881,914	12,924,608
Interests in joint ventures	302,465	109,737	412,202
Interests in associates	215,817	207,207	423,024
	<u>7,560,976</u>	<u>6,198,858</u>	<u>13,759,834</u>
Total assets			
	<u>7,560,976</u>	<u>6,198,858</u>	<u>13,759,834</u>
Segment liabilities	3,782,209	374,171	4,156,380
	<u>3,782,209</u>	<u>374,171</u>	<u>4,156,380</u>

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2018			
Segment assets	6,832,100	5,910,585	12,742,685
Interests in joint ventures	275,020	120,652	395,672
Interests in associates	201,151	207,277	408,428
	<u>7,308,271</u>	<u>6,238,514</u>	<u>13,546,785</u>
Total assets			
	<u>7,308,271</u>	<u>6,238,514</u>	<u>13,546,785</u>
Segment liabilities	<u>3,719,505</u>	<u>399,182</u>	<u>4,118,687</u>

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Interest on a bank loan	<u>2,165</u>	<u>1,898</u>



5. Profit Before Tax

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

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration	(1,777)	(1,648)
Depreciation	(3,749)	(3,823)
Depreciation charge for right-of-use assets	(193)	–
Employee benefits expense (including directors' remuneration)	(67,199)	(64,350)
Minimum lease payments under operating leases	–	(700)
Expenses of short-term lease and lease of low-value assets	(759)	–
Realised gain on:		
– disposal of financial assets at fair value through profit or loss, net	20,200	324
– redemption/call back of held-to-collect debt securities at amortised cost	144	358
– disposal of interest in an associate	–	313
Total realised gain on investments	<u>20,344</u>	<u>995</u>
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	65,076	(63,548)
Interest income	48,814	36,758
Gain on disposal of items of property, plant and equipment [^]	8	221
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(94)	(741)
Foreign exchange gain/(loss), net [^]	(3,984)	4,240
Dividend income from:		
Listed investments	41,631	49,244
Unlisted investments	37,524	28,004
Total dividend income	<u>79,155</u>	<u>77,248</u>

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

Notes to the Interim Financial Statements (Unaudited)

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong		
Charge for the period	10,555	6,452
Under provision in prior period	–	335
Current – Elsewhere		
Charge for the period	5,623	5,585
	<u>16,178</u>	<u>12,372</u>

7. Dividend

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Proposed interim dividend:		
HK3.5 cents (2018: HK2.0 cents) per ordinary share	33,907	19,509

The Board has resolved to pay an interim dividend of HK3.5 cents per share (2018: HK2.0 cents), which will be paid in cash, for the six months ended 30th June, 2019 payable on or about 30th September, 2019 to shareholders whose names appear on the Register of Members of the Company on 19th September, 2019.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$244,649,000 (2018: HK\$110,845,000) and the weighted average number of ordinary shares of 971,324,000 (2018: 977,550,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	402,527	383,508
Listed debt securities outside Hong Kong, at amortised cost	229,318	207,562
Unlisted debt securities, at amortised cost	194,021	205,942
	<u>825,866</u>	<u>797,012</u>
Total held-to-collect debt securities at amortised cost	<u>825,866</u>	<u>797,012</u>
Fair value of listed and unlisted held-to-collect debt securities	<u>859,586</u>	<u>808,374</u>

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

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

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Banks and other financial institutions	663,044	596,420
Corporate entities	162,822	200,592
	<u>825,866</u>	<u>797,012</u>

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
With a residual maturity of:		
Three months or less	84,760	88,658
One year or less but over three months	72,498	92,605
Five years or less but over one year	329,660	276,265
Over five years	338,948	339,484
	<u>825,866</u>	<u>797,012</u>

Notes to the Interim Financial Statements (Unaudited)

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

During the period, a cedant of certain pecuniary loss reinsurance contracts requested the Group to provide security in favour of the cedant to secure the performance of the Group's obligations to the cedant under those pecuniary loss reinsurance contracts. Accordingly, at 30th June, 2019, listed debt securities of the Group amounting to HK\$119,584,000 (31st December, 2018: HK\$118,863,000) were pledged.

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Listed equity investments outside Hong Kong, at fair value		
Bangkok Bank Public Company Limited	959,168	944,613
Bumrungrad Hospital Public Company Limited	974,958	1,024,100
	1,934,126	1,968,713
Unlisted equity investments, at fair value		
PICC Life Insurance Company Limited	2,520,000	2,630,000
BBL Assets Management Limited	375,000	311,000
PT Asian International Investindo	112,664	67,674
BE Reinsurance Limited	52,153	47,974
Others	62,247	61,574
	3,122,064	3,118,222
	5,056,190	5,086,935

During the period, the gross loss in respect of the Group's equity investments designated at fair value through other comprehensive income amounted to HK\$30,745,000 (2018: HK\$972,079,000).

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

11. Loans and Advances and Other Assets

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Loans and advances	10,540	11,273
Accrued interest and other assets	109,293	78,782
	119,833	90,055

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

11. Loans and Advances and Other Assets (continued)

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	369	366
One year or less but over three months	1,004	1,103
Five years or less but over one year	7,235	7,554
Over five years	1,932	2,250
	10,540	11,273

12. Financial Assets at Fair Value through Profit or Loss

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	21,975	29,927
– listed outside Hong Kong, at fair value	20,969	35,735
	42,944	65,662
Equity securities at fair value:		
– listed in Hong Kong	397,984	336,031
– listed outside Hong Kong	464,925	473,431
	862,909	809,462
Investment funds:		
– listed outside Hong Kong, at fair value	17,426	21,485
– unlisted, at quoted price	487,169	618,029
	504,595	639,514
Total	1,410,448	1,514,638

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

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Public sector entities	26,056	22,254
Banks and other financial institutions	185,920	179,165
Corporate entities	1,198,472	1,313,219
	1,410,448	1,514,638

The above securities and investment funds as at 30th June, 2019 and 31st December, 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

As at 30th June, 2019, the Group's bank loan is secured by the pledge of certain equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2018: HK\$150,000,000) (note 16).

13. Insurance Receivables

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Amounts due in respect of:		
Direct underwriting	262,271	119,256
Reinsurance accepted	106,017	120,053
	368,288	239,309

The Group grants credit terms of three months to six months on billed policies. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement subsequent to the 12 months from the end of the reporting period.

The Group's insurance receivables relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

13. Insurance Receivables (continued)

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Three months or less	342,661	214,091
Six months or less but over three months	28,010	27,707
One year or less but over six months	136	30
Over one year	246	246
	371,053	242,074
Less: Impairment allowances	(2,765)	(2,765)
	368,288	239,309

14. Cash and Cash Equivalents and Pledged Deposits

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Cash and bank balances	204,306	165,430
Time deposits with original maturity of over three months	31,292	30,461
Time deposits with original maturity of less than three months	2,696,862	2,504,083
	2,932,460	2,699,974
Pledged deposits	323,066	323,066
	3,255,526	3,023,040

15. Share Capital

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	1,500,000	1,500,000
Issued and fully paid:		
969,262,000 (2018: 973,180,000) ordinary shares of HK\$1 each	969,262	973,180

Notes to the Interim Financial Statements (Unaudited)

15. Share Capital (continued)

During the period ended 30th June, 2019, a subsidiary of the Company repurchased and cancelled 3,918,000 ordinary shares of the Company of HK\$1 each on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$4.28 to HK\$4.69 per share at a total consideration of HK\$17,810,000 (including expenses and dividend).

The premium of HK\$13,892,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$3,918,000 was transferred from retained profits of the Company to the capital redemption reserve.

16. Interest-bearing Bank Borrowing

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Interest-bearing bank loan, secured	150,000	150,000

The bank loan bears interest at 1.25% (31st December, 2018: 1.25%) over the 1,2,3 or 6-month Hong Kong Interbank Offered Rate per annum, is repayable on or before 29th January, 2020, and is secured by the pledge of certain equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2018: HK\$150,000,000) (note 12).

17. Commitments

The Group had capital commitments as follows:

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Contracted, but not provided for: Acquisition of computer hardware and software	3,269	4,551

18. Operating Lease Arrangements

As Lessor

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

At 30th June, 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Within one year	7,131	7,119
In the second year	3,338	6,664
	10,469	13,783



19. Related Party Transactions

(a)

	30th June, 2019		31st December, 2018	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Aggregate balance at the end of the reporting period	-	1,920	-	1,917
Interbank activities:				
Deposits placed	-	917,411	-	893,602
	Six months ended 30th June, 2019		Six months ended 30th June, 2018	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Interbank activities:				
Interest income	-	9,912	-	6,799
Premium income:				
Gross premiums written	285	6,608	278	4,773
Commission expense, net	-	651	-	210
Compensation:				
Salaries and short-term employee benefits	6,801	-	6,712	-
Pension scheme contributions	281	-	273	-

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

Notes to the Interim Financial Statements (Unaudited)

19. Related Party Transactions (continued)

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Loans and advances received:		
Aggregate balance at the end of the reporting period	–	25,385
	<u>–</u>	<u>25,385</u>
	Six months ended 30th June, 2019 HK\$'000	2018 HK\$'000
Interest expense paid or payable	–	183
	<u>–</u>	<u>183</u>

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	256,140	256,140
Loans and advances received:		
Aggregate balance at the end of the reporting period	4,222	4,222
	<u>4,222</u>	<u>4,222</u>
	Six months ended 30th June, 2019 HK\$'000	2018 HK\$'000
Loans and advances granted:		
Interest income	870	1,198
Reinsurance premium ceded	–	70
Commission expense paid	2,828	2,874
	<u>2,828</u>	<u>2,874</u>

20. Fair Value Hierarchy of Financial Instruments

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 30th June, 2019				
Equity investments designated at fair value through other comprehensive income	959,168	974,958	3,122,064	5,056,190
Financial assets at fair value through profit or loss	762,831	647,617	–	1,410,448
	1,721,999	1,622,575	3,122,064	6,466,638
	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31st December, 2018				
Equity investments designated at fair value through other comprehensive income	944,613	1,024,100	3,118,222	5,086,935
Financial assets at fair value through profit or loss	728,074	786,564	–	1,514,638
	1,672,687	1,810,664	3,118,222	6,601,573

During the periods ended 30th June, 2019 and 30th June, 2018, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

The movement in fair value measurement within level 3 during the period ended 30th June, 2019 is as follow:

	HK\$'000
At 1st January, 2019	3,118,222
Net gain recognised in other comprehensive income	3,842
At 30th June, 2019	3,122,064

20. Fair Value Hierarchy of Financial Instruments (continued)

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using market-based valuation techniques based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple, price to book value multiple and price to embedded value multiple, for each comparable company identified. The multiple is calculated by dividing the price of the comparable company by an earnings or book/embedded value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of principal financial instruments as at 30th June, 2019:

	Valuation technique	Significant unobservable input	Range/ weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount of lack of marketability	0 – 40%	20% increase/(decrease) in discount would result in (decrease)/increase in fair value by HK\$278,213,000
		Price to book value multiple	1.0 – 3.5	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$11,441,000
		Price to earnings multiple	6.60 – 42.14	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$66,316,000
		Price to embedded value multiple	0.43 – 1.84	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$380,000,000

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

Financial Risk Management Objectives and Policies

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

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

(1) Internal control environment

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

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

(2) Credit risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to clients, intermediaries 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 intermediaries and direct customers from different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, held-to-collect debt securities at amortised cost, loans and advances and other assets, insurance receivables and amounts due from associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(3) Liquidity risk management

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

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

Financial Risk Management Objectives and Policies (continued)

(4) Capital management

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

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

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

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

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contracts liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 30th June, 2019, the Group has no net debt.

(5) Interest rate risk management

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

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

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

(6) Foreign exchange risk management

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

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

Financial Risk Management Objectives and Policies (continued)

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent 97% of its total gross premiums written.

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

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

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

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

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

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

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

Financial Risk Management Objectives and Policies (continued)

(8) Operational risk management

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

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

(9) Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 30th June, 2019. The Group's listed investments are mainly listed on the stock exchanges of Hong Kong, the United States, and Thailand and are valued at quoted market prices at the end of the reporting period.

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

The Code for Securities Transactions by Directors

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

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Code of Conduct and the Model Code throughout the six months ended 30th June, 2019.

Directors’ Interests in Shares

As at 30th June, 2019, the interests of the Company’s directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company’s issued share capital ⁽¹⁾
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
CHAN Yau Hing Robin	–	–	569,999,712 ⁽²⁾	569,999,712	58.81
CHAN Bernard Charnwut	1,902,680	–	8,830,000 ⁽³⁾	10,732,680	1.11
WONG Kok Ho	810,000	430,000	–	1,240,000	0.13
CHOW Suk Han Anna	41,559	–	–	41,559	0.00

Notes:

(1) Based on 969,262,000 shares in issue as at 30th June, 2019.

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

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

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

Save as disclosed above, as at 30th June, 2019, none of the Company’s directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30th June, 2019, the following persons (other than the directors or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital ^(a)
Cosmos Investments Inc.	(b), (c)	569,999,712	58.81
Claremont Capital Holdings Ltd	(b)	566,069,712	58.40
Bangkok Bank Public Company Limited		95,488,236	9.85
Sompo Holdings, Inc.	(d)	91,759,753	9.47
Sompo Japan Nipponkoa Insurance Inc.	(d)	91,759,753	9.47
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.42

Notes:

- (a) Based on 969,262,000 shares in issue as at 30th June, 2019.
- (b) These shares have been included in the interest disclosure of Dr. CHAN Yau Hing Robin as set out in the section "Directors' Interests in Shares" above.
- (c) Cosmos Investments Inc. was deemed to be interested in 569,999,712 shares in which 566,069,712 shares were held by Claremont Capital, 3,097,000 shares were held by Asia Panich and 833,000 shares were held by Man Tong since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong, respectively.
- (d) Sompo Japan Nipponkoa Insurance Inc. ("SJNII") is a wholly-owned subsidiary of Sompo Holdings, Inc. ("SHI") and accordingly, the shares in which SJNII is shown as interested are included in the shares in which SHI is shown as interested.

Save as disclosed above, as at 30th June, 2019, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.



Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30th June, 2019, a subsidiary of the Company repurchased a total of 3,918,000 ordinary shares of the Company on the Stock Exchange at an aggregate purchase price of approximately HK\$17,773,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the reporting period. Details of the ordinary shares repurchased on the Stock Exchange during the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per share HK\$	Lowest purchase price per share HK\$	Aggregate purchase price (excluding expenses) HK\$'000
Jan 2019	710,000	4.46	4.28	3,150
Feb 2019	166,000	4.69	4.66	778
Apr 2019	1,884,000	4.65	4.50	8,708
May 2019	686,000	4.55	4.39	3,069
Jun 2019	472,000	4.40	4.33	2,068
	<u>3,918,000</u>			<u>17,773</u>

Subsequent to the end of the reporting period and up to the date of this report, a total of 480,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$2,114,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 22nd July, 2019 and 30th July, 2019 respectively. Details of the ordinary shares repurchased on the Stock Exchange after the end of the reporting period are as follows:

Month of repurchase	Number of Ordinary shares repurchased	Highest purchase price per share HK\$	Lowest purchase price per share HK\$	Aggregate purchase price (excluding expenses) HK\$'000
Jul 2019	<u>480,000</u>	4.45	4.35	<u>2,114</u>

As a result of the above share repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled during the reporting period and after the end of the reporting period. As at the date of this report, the number of issued ordinary shares of the Company is 968,782,000 shares.

The purchase of the Company's shares during the period was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2018 and 2019 respectively. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 30th June, 2019 and up to the date of this report.

Other Information

Changes in Directors' Information

There have been changes in the information related to the Company's directors since the date of its Annual Report 2018. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

Dr. CHAN Yau Hing Robin, G.B.M., G.B.S., LL.D, J.P., retired as 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 5th June, 2019 and 6th June, 2019 respectively.

Mr. TAN Stephen was appointed as an independent non-executive director of Keck Seng Investments (Hong Kong) Limited, a company listed on the Stock Exchange, with effect from 6th June, 2019.

Mr. KAWAUCHI Yuji was appointed as the Executive Vice President and Executive Officer, General Manager of Global Business Planning Department of Sompo Holdings, Inc. and ceased to be the Executive Officer of China & Asia Pacific Regional Headquarters of Sompo Holdings, Inc. effective on 24th June, 2019. He resigned as the President and Managing Director of Sompo Holdings (Asia) Pte. Limited on 1st April, 2019.

Mrs. SHUEN LEUNG Lai Sheung Loretta was appointed as chairperson among the members of the Audit Committee with effect from 23rd May, 2019 and accordingly she is entitled to receive the annual fee of HK\$40,000 as committee chairperson. For the year ending 31st December, 2019, she will receive HK\$36,111 which is calculated in proportion to the period of her service of acting as a member of the Audit Committee from 1st January, 2019 to 22nd May, 2019 and serves as chairperson of the Audit Committee from 23rd May, 2019 to 31st December, 2019.

Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2019.

