

A Trusted Partner in Asia

ANNUAL REPORT 2021

Stock Code: 662
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ASIA FINANCIAL

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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

KAWAUCHI Yuji
OGURA Satoru

Independent Non-Executive Directors

LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
AU YANG Chi Chun Evan

Audit Committee

SHUEN LEUNG Lai Sheung Loretta (*Chairperson*)
LAI KO Wing Yee Rebecca
AU YANG Chi Chun Evan

Compliance Committee

AU YANG Chi Chun Evan (*Chairperson*)
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
TAN Stephen

Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
SHUEN LEUNG Lai Sheung Loretta
AU YANG Chi Chun Evan
CHAN Bernard Charnwut
WONG Kok Ho

Nomination Committee

AU YANG Chi Chun Evan (*Chairperson*)
LAI KO Wing Yee Rebecca
SHUEN LEUNG Lai Sheung Loretta
CHAN Bernard Charnwut
WONG Kok Ho

Risk Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
SHUEN LEUNG Lai Sheung Loretta
AU YANG Chi Chun Evan
CHAN Bernard Charnwut
WONG Kok Ho

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Registered Office

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Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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Principal Registrar and Transfer Office

Conyers Corporate Services (Bermuda) 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

CHIANG Yuet Wah Connie

Principal Bankers

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

Legal Advisers

Conyers Dill & Pearman
Deacons
Gallant
P. C. Woo & Co.

Share Listing

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



Asia Financial Holdings Limited (“Asia Financial”, “The Group” or “The Company”) recorded a net profit attributable to shareholders of HK\$665.4 million in 2021, a 96.9% increase over the same period in 2020. The main contributing factors were healthy returns from investments and an increase in underwriting profits from the insurance business. Dividend income increased significantly. Overall contributions from our joint ventures and associates were also positive.

In spite of the coronavirus pandemic and its associated economic impact, our core businesses showed reassuring resiliency. Current insurance underwriting profits remain stable and growing. Our core insurance business is solid and mature. We are fortunate to enjoy customer confidence in the marketplace, due to our long-term and unwavering commitment to the Hong Kong and Macau insurance markets. This will be an asset to us as we face upcoming challenges on the path to global economic recovery.

CHAN Yau Hing Robin
Chairman

Economic Background

The global economy showed a firm recovery in 2021 with 5.5% growth from an exceptionally low base in 2020. The US stock market turned in a solid performance with the S&P 500 gaining 26.9% and the Nasdaq up 21.4%. The robust recovery was driven by economic stimulus, accommodative monetary policy by central banks and governments, and low interest rates, etc.

However, economic growth is expected to face significant headwinds amid new waves of COVID-19 infections, rising inflationary pressure with US inflation at a 40-year high, supply-chain disruptions, reduction of stimulus and geopolitical tensions.

The US economy grew 5.7% in 2021, its strongest growth in nearly 4 decades, on the back of fiscal stimulus and policy support against COVID-19. Consumer spending soared 7.9% and the consumer price index climbed 7%.

The Hong Kong economy grew 6.4% in 2021, as a result of a rebound in exports, stabilized pandemic situation and buoyant consumer spending from a government consumption voucher scheme. However, the Hang Seng Index capped 2021 with a 14.1% drop, its steepest loss in a decade, due to China’s regulatory crackdowns.

China’s economy expanded by 8.1% in 2021, due to strong industrial production and exports. China’s stock market had a turbulent year underperforming the European and American indices. China’s large-cap CSI 300 Index fell roughly 5% for the year, due to the implications of Zero-COVID policy, deteriorating conditions in the property sector and impact of regulatory tightening measures imposed on domestic industries from education to technology.

Chairman's Statement

Management Approach and Future Prospects

The global and regional economic picture in 2022 remains uncertain and difficult to predict due to underlying risks. Asia Financial's prospects for 2022 will continue to be affected by the pandemic crisis and its impact on the global economic environment. We expect more volatility in markets due to risks of pandemic outbreaks, inflationary pressure, tapering of stimulus, and increased geopolitical tensions. We will maintain a prudent portfolio investment strategy accordingly.

Despite potential economic headwinds, we remain cautiously optimistic about the outlook for our businesses. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

The current outlook for our insurance operations is positive, with our strong distribution network and market positioning helping us to perform well despite the challenging economic situation and a crowded market. We will continue to review and optimize our mix of business segments. We are also further developing our distribution capacity and product range.

At this time of global challenge in our industry and the world, our company's reputation and stability are an advantage in an uncertain and volatile marketplace. The region is undergoing a major transformation involving the rise of large middle classes, gradually ageing societies and greater use of market-based solutions to demographic and other policy challenges. In this changing environment, Asia Financial is well-positioned for steady and successful growth.

This is the long-term environment on which Asia Financial's management focuses. We aim to continue building on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Hong Kong and Greater China. Our investment spheres fit well with our traditional expertise and networks of clients and partners, and as a whole are well-placed 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, 25th March, 2022



Management Discussion and Analysis

Key Financial and Business Performance Indicators

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

Profit attributable to equity holders of the Company:	HK\$665.4 million	+96.9%
Earnings per share:	HK70.7 cents	+99.7%
Final dividend per share:	HK10.5 cents	+50.0%
Total dividend per share:	HK14.5 cents	+81.3%
Equity attributable to equity holders of the Company:	HK\$10,380.3 million	-5.7%
Total Assets:	HK\$15,393.6 million	-3.3%
Return on equity:	6.2% (3.2% for 2020)	

Earnings and Dividends

For the year ended 31st December, 2021, the Group recorded net profit attributable to shareholders of HK\$665.4 million, representing a 96.9% increase compared with the previous year. The main contributing factors were healthy returns from investments and an increase in underwriting profits from the insurance business. Dividend income increased significantly. Overall contributions from our joint ventures and associates were also positive.

The Group's earnings per share for the year 2021 were HK70.7 cents. The Board had declared an interim dividend of HK4.0 cents in August 2021 and proposed a final dividend of HK10.5 cents, making a total dividend for the year of HK14.5 cents per share.

Capital Structure

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

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2021 amounted to HK\$2,873,685,000 (2020: HK\$2,800,240,000).

The Group had no bank borrowing as at 31st December, 2021.

No gearing ratio was calculated as the Group had no net current debt as at 31st December, 2021. The gearing ratio was based on net current debt divided by total capital plus net current debt. Net current debt includes current portion of insurance contract liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

Management Discussion and Analysis

Charge on Assets

As at 31st December, 2021 Asia Insurance Company, Limited (“Asia Insurance”) charged assets with a carrying value of HK\$126,670,000 (2020: HK\$119,030,000) in favour of a cedant to secure the performance of Asia Insurance’s obligations to the cedant under certain pecuniary loss reinsurance contracts.

Contingent Liabilities

As at 31st December, 2021, the Group had no material contingent liabilities.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance achieved net profit attributable to shareholders of HK\$237.1 million in 2021, a 25.1% increase compared with the same period in 2020.

Despite the pandemic’s impact on our clients’ businesses, our turnover for 2021 rose by close to 10% over the same period in 2020, an extraordinary testimony to our company’s service, reputation and client confidence. For 4 years in a row, we have achieved a record high in turnover.

Asia Insurance has been successful in its diversification strategy of developing new business channels, new products and new business partners. We maintained most of our existing profitable businesses, while adding new business from diverse sectors such as reinsurance and the Voluntary Health Insurance Scheme (VHIS) market.

Underwriting profit increased by 10.6% over the same period in 2020. Our fundamental underwriting profit trend remains healthy and stable, and we remain among the top performers in the Hong Kong insurance industry, with a S&P rating of A. (All the above figures are before elimination of group transactions.)

The rise in Asia Insurance’s costs in 2021 was in line with the company’s continued business expansion and investment in user and backend systems. There was no exposure to major catastrophe during the period. Asia Insurance further expanded its distribution network through new agents and brokers and online digital channels. We have smoothly launched novel online platforms with banking and life insurance partners.

In anticipation of future trends in client needs and market conditions, Asia Insurance is actively working on significant innovations to our product range, ongoing upgrades to employee skills, and enhancing systems and distribution capacity.

The outlook for Asia Insurance’s core underwriting activities in both Hong Kong and Macau looks positive for 2022 and beyond. We will continue to utilize our risk management expertise to focus on quality business, and to optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

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

In general, Asia Insurance expects to continue to build on its status as a leader in Hong Kong’s general insurance market with an outstanding reputation for service and professionalism.

Business Review (cont'd)

Insurance (cont'd)

We recorded both realised and unrealised gains in our investments. Joint ventures and associates in the insurance segment turned a healthy profit in 2021. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited enjoyed a stable 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. PICC Life maintains a healthy position in the China market, with a substantial network of offices. We enjoyed exceptionally high dividends from PICC Life in 2021.

Other Portfolio Investment

Trading investments posted modest growth in 2021 due to the economic recovery and stock market returns from a diversified portfolio of global assets. Dividend income from long-term strategic investments was stable.

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 continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to potential new long-term opportunities arising from major developments in the international environment, and changes in consumer trends in the post-COVID-19 market.

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our largest listed equity investment. For 2021, the stock price was up 17.5% in Thai baht terms, but when converted to US dollars, this appreciation dropped to 6.7% due to the weak Thai baht. Additionally, the company felt the negative effect of coronavirus pandemic restrictions on entry to Thailand (around 42.1% of Bumrungrad’s patients are from overseas).

The outlook for medical tourism remains uncertain for next year due to COVID-19 travel restrictions. However, Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services is likely to rebound.

Pension and Asset Management

The Group’s holding in Bank Consortium Holding Limited (“BCH”), one of our joint ventures, generated healthy returns in 2021, in spite of the economic situation. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains one of the major providers of Mandatory Provident Fund services in Hong Kong.

The Group’s holding in BBL Asset Management Company Limited of Thailand represent 2.0% of our total assets. It operates as an investment management company and offers asset management, equities, fixed income, investment strategies, financial planning, and advisory services. It saw a stable return in 2021 and has continued to declare dividends for the past several years.

Management Discussion and Analysis

Business Review (cont'd)

Property Development

The Group's interests in real estate are focused on Shanghai and represent 4.7% of our total assets. The main project is a residential and commercial complex in Jiading District in Shanghai, in which we have a 27.5% stake.

Although the outlook for China's property market is uncertain, there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 was developed in four stages, and in 2021 we took a healthy profit from residential sales of Stages Two and Three mainly. We anticipate that Stage Four will be put up for sale in early 2022, and that it will follow the successful trajectory of the project's previous stages.

The Group's property development associate has acquired a new 21,000 sqm piece of land in Qingpu district in Shanghai close to the Shanghai Hongqiao International Airport, with the plan to build 60,000 sqm of commercial and residential buildings.

Securities Investments Representing More than 5% of Total Assets

As at 31st December, 2021, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares <i>(in thousand)</i>	Fair value as at 31st December, 2021 <i>(HK\$'million)</i>	% of total Group assets	Net realised and unrealised gain/(loss) <i>(HK\$'million)</i>	Dividends received <i>(HK\$'million)</i>
PICC Life	1,288,055	3,120	20.3%	(1,200)	187
Bumrungrad Hospital	37,214	1,233	8.0%	77	29

Both investments are mainly long-term strategic holdings.

Impact of the COVID-19 Pandemic

Effect on our operations, and relative risk and uncertainties

Economic volatility from COVID-19 did not have material effect on our overall 2021 performance. Many of our insurance business customers are SMEs, who were particularly vulnerable during the pandemic. However, this impacted our bottom line to a manageable extent only.

The performance of our investment portfolio in 2021 was also affected by COVID-19 indirectly but not to a significant extent. Based on recent market performance, and anticipating elevated inflation and slowing economic growth, we expect that COVID-19 could still have a modest impact on our investment portfolio performance in 2022.

Measures taken to manage the effects of COVID-19 pandemic

Our Company's traditionally watchful and cautious approach to investment has enabled us to successfully weather market volatility in periods of economic stress. This investment management strategy helped us to navigate successfully through the difficulties of 2021, and we anticipate it will continue to do so in the future.

In terms of actual exposure to the COVID-19 pandemic, in 2021 we took robust measures to protect the health and safety of our staff and our clients and encouraged our staff to have vaccination. We established new health protocols and guidelines, minimised the risk of business disruption by preparing detailed contingency plans, and expanded digital and software capacity to enable us to shift business activity online when necessary.

Compliance with Laws and Regulations

The Group takes active steps to ensure compliance with all relevant laws and regulations in all jurisdictions in which it operates, and recognizes the risks of non-compliance. It dedicates sufficient resources and personnel to ensure such compliance, and to maintaining adequate liaison and communication with regulatory authorities. We believe that risks attached to non-compliance are low.

Principal Risks and Uncertainties

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance risk, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note 37 "Financial Risk Management Objectives and Policies" to the consolidated financial statements of the Group in this annual report.

Management Discussion and Analysis

Stakeholders

Asia Financial understands the importance of its relationships with employees, customers, suppliers, investors, regulators, members of the communities in which we operate, and other stakeholders whose actions can affect the company's performance and value.

Employees

The Company recognizes the vital role that skilled and motivated staff play in its success. Our human resources policy is therefore to encourage, recognize and reward good performance through appropriate training, appraisal and remuneration practices. The Company is confident of its ability to attract high quality staff and believes that risks attached to over-reliance on key personnel are moderate.

Customers

The Company's main clients are insurance policyholders. Delivery of excellent customer service is a key reason for our consistent underwriting profitability. Diversification of our client base and avoidance of over-dependency on core clients are among our risk management practices.

Shareholders

The Company is committed to creating wealth for our shareholders. This aim is fundamental to all our operations and investment activities.

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2021 was 314 (2020: 299). 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. 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.



Environmental, Social and Governance Report

A. About This Report

A1. Reporting Standards

This Environmental, Social and Governance (“ESG”) Report provides details of Asia Financial Group’s (“Asia Financial”, “the Company”, or “the Group”) responsible, sustainable, and ethical business practices during the reporting period. It was prepared in accordance with the “Environment, Social and Governance (“ESG”) Reporting Guide”, Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including the “comply or explain” provisions set out in the ESG reporting guide.

A2. Reporting Scope and Boundary

Unless otherwise specified, the scope and boundary of this report are the same as in Asia Financial’s 2021 Annual Report, which covers Asia Financial Holdings Ltd. and all its wholly owned subsidiaries including, but not limited to, all branches and representative offices of Asia Insurance Company, Ltd. Where applicable, ESG data are reported separately for Asia Financial Holdings Ltd. (“AFH”), Asia Insurance Company, Ltd. (“AI”), and in combination as Asia Financial Group (“AFH Group”).

A3. Reporting Principles

The preparation and presentation of contents in this report follow these principles:

Materiality:	Stakeholder engagement and materiality assessment described below were utilized to develop and prioritize the most prominent economic, environmental, and social impact that concerns Asia Financial’s management and our stakeholders and establish long-term strategies to tackle ESG issues.
Quantitative:	Quantitative methods and metrics were utilized and presented throughout this ESG report to keep track, compare, and evaluate our ESG performance over the years. This report uses <i>SME Carbon Audit Toolkit</i> jointly developed by the University of Hong Kong and City University of Hong Kong in February 2010 to calculate Scope 1, 2, & 3 carbon emission. Where quantitative metrics are unfeasible, qualitative descriptions are provided instead to highlight ESG performance.
Balance:	This ESG report provides an accurate and unbiased picture of Asia Financial’s ESG performance that identifies both areas of success and notable achievements, as well as areas of improvements and challenges.
Consistency:	Assessment of Asia Financial’s ESG performances are consistent since 2009 (unless otherwise specified), thus provides an opportunity to conduct year-on-year analysis to identify trends and track progress using 2009 as a base-year. The only change this year is the addition of respective AFH and AI data on top of AFH Group consolidated data. This is to highlight the different business nature and more effectively customize ESG measures that are applicable to Asia Financial’s businesses.

Environmental, Social and Governance Report

A. About This Report (cont'd)

A3. Reporting Principles (cont'd)

(a) Stakeholder Engagement

Asia Financial operates in a socially responsible and transparent manner by engaging with the following stakeholders through these communication channels:

Stakeholders	Communication Channels
Employees	- Annual performance appraisal system
	- Trainings, seminars, and briefing sessions
	- Staff communications including Townhall meetings by Asia Insurance
	- Recreational and volunteer activities
Customers	- Client relationship contacts
	- Company website
	- Online platform
	- Customer service hotline
Shareholders	- Annual General Meeting and other general meetings
	- Investor and press conferences and briefings
	- Company website
	- Corporate communications including announcements, press releases, circulars, interim and annual reports
Suppliers	- Regular supplier communications and reviews
	- Annual supplier, service provider, and vendor review
Regulators	- Regular meetings and communications
	- On-site review
	- Compliance reports & Risk reports
	- Training, focus groups and other events
Community	- Staff volunteer activities
	- Sponsorships and donations
	- Meetings with NGOs

(b) Materiality Assessment

Following stakeholder engagement, data collected is reviewed and a materiality assessment is utilized to identify the most significant economic, environmental, and social impacts that concerns Asia Financial's Management and our stakeholders. These insights are particularly helpful for the Company to review our long-term strategy in addressing specific sustainability issues and identifying areas of improvement for ESG performance and reporting.

A. About This Report (cont'd)

A3. Reporting Principles (cont'd)

(b) Materiality Assessment (cont'd)

4 main areas were identified along with the Company's responses:

(b1) Health and Safety

The COVID-19 pandemic continues to affect the Company's operations. Thus, we prioritize our staff's health and safety and has set up protocols and guidelines to minimize staff risk and exposure, particularly during daily commute or work-related travels to areas with local community transmission.

The looming threats of COVID-19 cases and variants continue to have us stay on high alert. Thus, the Company continues to enforce social distancing measures, enhanced personal hygiene, and encourage vaccination to ensure a safe and healthy work environment. We will continuously monitor the situation to ensure rapid response.

See Section E2 for further details about Asia Financial's approach.

(b2) Natural Disasters and Climate Change

The insurance industry is exposed to climate-related risks. Asia Insurance continually reviews, and as necessary increases, its reinsurance protection, and is expanding risk analytic capabilities of their climate-related exposures. It is anticipated that quantifiable climate change targets will be addressed when the Insurance Authority published its ESG guidelines.

(b3) Staff Attraction, Retention, and Succession Planning

Currently, established and traditional industries are facing growing competition for new talents from the technology and other innovative sectors. Asia Financial is responding to such competition with development opportunities for interns and graduate trainees and competitive packages for retention plans. Additionally, we encourage younger staff to participate in and contribute to company-wide innovative and technology related projects, and experienced staff to continuously guide and mentor the next generation.

These measures allow Asia Financial to identify and train high-potential employees to promote the Company's growth. Moreover, the Group can better revise and maintain an adequate succession plan as the average age of our employees increases.

(b4) Cyber and Data Security

Cyber and data security are top concerns for any company that processes customer data. Naturally, this is a priority risk control area for Asia Financial Management. The Group is committed to reviewing all relevant control systems and has taken active measures to mitigate this risk. Internal consultants and external cyber security experts are involved in various comprehensive reviews, such as vulnerability assessment, penetration tests, architectural and process reviews, as well as measures to raise and reinforce staff's data security awareness. The Groups has migrated to M365 and upgraded firewalls, software, and server protections in December 2021.

B. ESG Philosophy

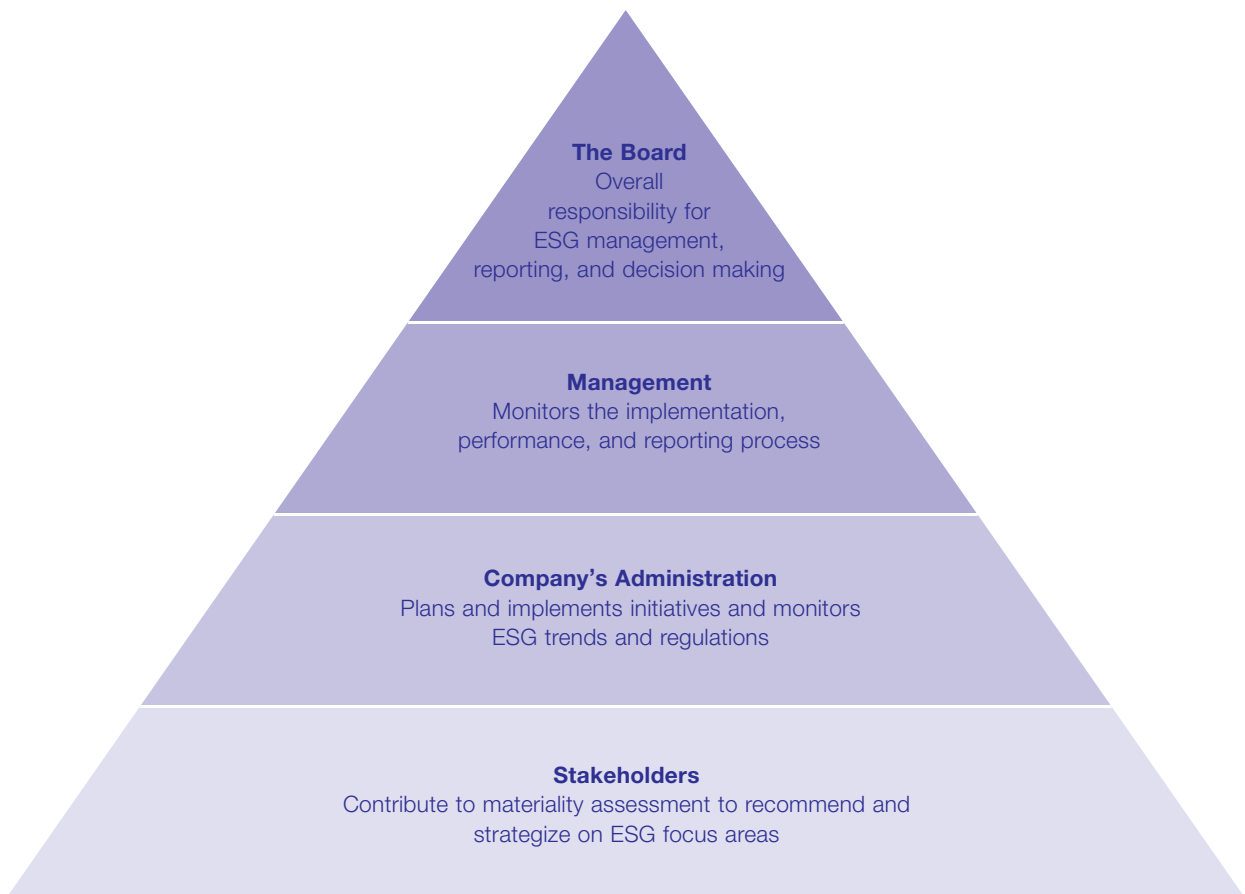
Asia Financial takes pride in being recognized as a “Caring Company” for the 19th consecutive year since 2003, and in continuing to contribute to community programmes where we can add value.



Additionally, we have been awarded the Green Office Award Label from the World Green Organization for the 8th consecutive year since 2014. We are proud to be recognized for our efforts to improve the quality of life for the current and future generations.

For many years, Asia Financial has demonstrated a strong commitment to Corporate Social Responsibility (“CSR”). We believe it is the duty of a responsible company to protect the environment, provide a quality workplace, and serve the wider community directly through partnerships with social service organizations and social enterprises. Today, the Company aims to build on this foundation by expanding our ESG management strategy and foregrounding sustainability in all parts of our operations.

ESG Management Structure and Approach



C. Board Statement on ESG Oversight

Environmental, social and governance management continues to evolve within business planning, particularly in areas such as business health, security, and financial to reputation risks. Businesses from all sectors and investors alike are paying closer attention to ESG-related issues such as climate change, responsible and transparent corporate governance, and employee health & safety especially in the wake of the COVID-19 pandemic. As the world continues to strive for carbon neutrality through the *Paris Agreement* in 2015 and the recent *Glasgow Climate Pact* in 2021, as well as locally with the Hong Kong Government's latest *Climate Action Plan 2050*, Asia Financial will do our part and commit to making ESG a priority in our business strategy and operations.

Back in 2019, the Hong Kong Stock Exchange ("HKEX") published additional reporting requirements to ensure companies have established mechanisms for the Board's direct involvement in identifying, assessing, and managing ESG issues. In the future, we also expect additional requirements from the HKEX to comply with recommendations from the Task Force on Climate-Related Financial Disclosures. Therefore, Asia Financial will continue to develop and review ESG issues relevant to our business and recommend appropriate procedures to ensure compliance and enhance ESG management and oversight.

As the steward of our Company's long-term growth and performance, the Asia Financial Board ("the Board") plays the key role in ESG strategy and oversight. The Board and Management meet regularly to review and evaluate our ESG performance, identify opportunities for improvements, and create sustainable value for the Group's stakeholders.

Making ESG Management a Board Priority

Asia Financial recognizes the significance of sound ESG practices and the importance of integrating ESG considerations in our daily operations. The Board has developed the following framework that allows us to best discover, assess, and oversee the Company's ESG progress within the existing corporate governance structure.

At the highest level, the Board manages ESG development and performances during Compliance Committee meetings. During these meetings, Directors can assess ESG in relation to risk and compliance strategies, and to determine whether the Company's existing risk identification processes are sufficient in uncovering ESG-related financial and transitional risks. Directors will work closely with Management to develop strategies to continually improve ESG performances and to ensure all risks are identified and sufficiently addressed.

Moreover, the Board oversees Management's due diligence with respect to ESG issues. We ensure Management sufficiently engages with our stakeholders to determine ESG focus areas most relevant to our business. Directors actively participate in creating quantifiable and transparent ESG goals whenever possible and will closely track Asia Financial's ESG progress.

C. Board Statement on ESG Oversight (cont'd)

Additional Governance and Management Procedures to Facilitate the Board's Evaluation of ESG Goals and Targets

The Compliance Committee will receive the following reports from Management and Company's Administration regarding ESG implementation and performance:

- Annual full ESG report in March reviewing ESG performances and recommending future strategies to reach goals for the following year;
- Half-yearly ESG report in August reporting progress against set targets and proposing changes in strategies if necessary; &
- Report in the fourth quarter that covers the period up to 30th September of that year projecting full year-end results and will be the basis for setting the following year's strategy and targets.

The Compliance Committee sets a separate ESG agenda item during meetings for Directors to engage in regular and ongoing discussion to review ESG strategies. The Compliance Committee is responsible for submitting reports from Management for the Board's comments and approval after said meetings. Whenever ad hoc ESG matters arise outside of these scheduled reports and meetings, Management will present special reports for members of the Compliance Committee and the Board and will call special meetings if necessary to discuss issues and workshop solutions.

The Board is confident that the framework in place will allow for the most effective and efficient oversight on ESG performance. We will continue to keep up with current efforts and enhance our role as a responsible company for the community and the environment for generations to come.

D. Corporate Governance

Asia Financial maintains a robust corporate governance structure in compliance with relevant laws and regulations. The Group maintains policies and guidelines which define required standards for all staff concerning matters such as: Codes of Conduct, Whistleblowing Policy, Anti-Money Laundering Guidelines, etc. The Company makes it clear that all Management and staff must comply with these policies to ensure business decisions are made in the best interests of Asia Financial. Any breach of Company policies and guidelines is subject to disciplinary action.

The Corporate Governance Report contains more details.

E. Working Environment

E1. Employment

The key to Asia Financial's customer service, shareholder value creation, and community contribution is a satisfied and motivated workforce. Our workplace policy is designed to ensure:

- Full compliance with all relevant legal requirements at all times;
- Mutual respect on a foundation of shared interests;
- Fair treatment, including an equitable, performance-linked reward system;
- Equal opportunities for all individuals to reach their full potential;
- Ample training and development opportunities;
- Working conditions conducive to good physical and mental health; and
- Maintenance of work-life balance.

During this financial year, Asia Financial fully complied with all legal requirements and ordinances regarding employment relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The following highlights several of Asia Financial's existing practices and data regarding employment.

(a) Remuneration and Employee Benefits

Our policies and practices are regularly reviewed by independent consultants to ensure remuneration packages remain competitive in attracting and retaining good quality staff. The remuneration for staff comprises of a basic salary, year-end double pay, and a discretionary bonus based on both the individual's performance evaluation and Asia Financial's overall performance.

Furthermore, in order to enhance employees' welfare, Asia Financial provides staff with medical and life insurance plans and makes additional voluntary Provident Fund contributions when appropriate.

E. Working Environment (cont'd)

E1. Employment (cont'd)

(b) Balance between Work and Family Life

Asia Financial encourages staff to balance between work and family life. Thus, all full-time staff are expected utilize all rest days, public holidays, and paid annual leaves during their employment. Additionally, staff are offered incentivized leave days such as volunteering leave, examination leave, vaccination leave, etc. Management makes every effort to ensure that employees have the utmost freedom and flexibility in arranging leave schedules.

(c) Equal Employment Opportunities

In 2021, Asia Financial complied with all current Hong Kong equal opportunities laws.

Asia Financial has an Equal Employment Opportunities Policy ("EEO Policy") in place to ensure staff members comply with the following Ordinances: Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance, and Race Discrimination Ordinance.

Our EEO Policy ensures that every employee and job applicant is treated fairly regardless of race, colour, descent, national or ethnic origins, sex, marital status, pregnancy, breastfeeding, disability, or family status. Furthermore, our EEO Policy is applicable to areas including, but not limited to, recruitment, selection, promotion and transfers, working hours, discipline and dismissal, compensation, and benefits. All staff are expected to treat both colleagues, customers, and members of the public fairly, respectfully, and without discrimination.

(d) Staff Profile

As at 31 December 2021, AFH has 57 staff and AI has 257 staff respectively, totaling 314 staff and representing a 5.0% increase in headcount compared to the previous year.

No. of Employees by employment type (as at 31/12/2021)

	AFH	AI	AFH Group
Full-time	57	250	307
Part-time	0	7	7
Total	57	257	314
% change from 2020	+5.6%	+4.9%	+5.0%

No. of Employees by Geographical Location (as at 31/12/2021)

	AFH	AI	AFH Group
Hong Kong	57	212	269
Mainland China	0	1	1
Macau	0	41	41
Taiwan	0	3	3
Total	57	257	314

E. Working Environment (cont'd)

E1. Employment (cont'd)

(d) Staff Profile (cont'd)

No. of Employees by Gender and breakdown by Grading (as at 31/12/2021)

	AFH	AI	AFH Group
All Staff			
Male	27 (8.6%)	95 (30.3%)	122 (38.9%)
Female	30 (9.6%)	162 (51.6%)	192 (61.1%)
Total	57 (18.2%)	257 (81.8%)	314 (100%)
Management Level			
Male	12 (21.8%)	14 (25.5%)	26 (47.3%)
Female	14 (25.5%)	15 (27.3%)	29 (52.7%)
Total	26 (47.3%)	29 (52.7%)	55 (100%)
Board of Directors			
Male		7 (77.8%)	
Female		2 (22.2%)	
Total		9 (100%)	

No. of Employees by Age Group** (as at 31/12/2021)

	AFH	AI	AFH Group
Below 30	3	51	54 (17.4%)
30 – 40	9	60	69 (22.2%)
41 – 50	11	67	78 (25.2%)
51 and above	34	75	109 (35.2%)

* Excludes employees in Mainland China and Taiwan

Our employees' age distribution aligns with general workforce trends in Hong Kong

(e) Staff Turnover (for the year 2021)

Turnover Rate by Geographic Location (%)			
	AFH	AI	AFH Group
Hong Kong	14.0%	8.5%	9.7%
Mainland China	N/A	0%	0%
Macau	N/A	4.9%	4.9%
Taiwan	N/A	0%	0%

E. Working Environment (cont'd)

E1. Employment (cont'd)

(e) Staff Turnover (for the year 2021) (cont'd)

Turnover Rate Breakdown for Hong Kong Employees Only (%)			
	AFH	AI	AFH Group
By Gender			
Male	7.0%	2.8%	3.7%
Female	7.0%	5.7%	6.0%
Total	14.0%	8.5%	9.7%
By Age Group			
Below 30	0%	3.8%	3.0%
30 – 40	0%	2.8%	2.2%
40 – 50	5.2%	1.0%	1.9%
51 and above	8.8%	0.9%	2.6%
Total	14.0%	8.5%	9.7%

For reference, employee turnover rate in Hong Kong in the first half of 2021 was 4.8% as reported by the Hong Kong Institute of Human Resources Management. The turnover rate for AFH's Hong Kong staff is 14%, 2 out of the 9 resigned staff have reached the age of retirement, and the remaining 7 staff pursued better job opportunities while others involved department restructuring to improve operation efficiency. Thus, Asia Financial as a group has a higher turnover rate than average and past years. It is expected that such a high turnover rate will be an one-off incident as the Company does not foresee any more need for significant department restructuring.

E2. Health and Safety

(a) Keeping Employees Safe

Asia Financial takes all practicable steps to establish health and safety standards that go above and beyond relevant statutory requirements. Our yearly goal is to maintain zero work-related injuries and/or fatalities, and we continued to reach this goal in 2021 (as well as the past 3 years) with zero work-related injuries and/or fatalities, and zero lost work days due to work-related injuries and/or fatalities.

Specific measures Asia Financial has and will be initiated to ensure employees' working environment are safe and optimal:

- Enhanced security system to ensure staff are protected from intruders;
- Air purifiers have been installed in the 4th quarter 2021;
- Upgraded cleaning service provider with a prominent professional cleaning company starting 2022;
- Planned cleaning of air ducts to ensure dust-free working environment in 2022; and
- Planned upgrade of current lighting equipment to LED and energy-saving options to ensure employees can work under proper lighting and decreasing electricity's impact on carbon emission in 2022.

E. Working Environment (cont'd)

E2. Health and Safety (cont'd)

(b) Occupational Health & Safety Measures

Asia Financial implements clear measures and policies to ensure staff have a safe workplace. In order to minimize fire hazard, the Company maintains strict guidelines on proper use and maintenance of electrical appliances, and we have an in-house registered and licensed electrician to take care of daily repairs and maintenances.

For fire prevention, annual fire drill and training are arranged to ensure staff are familiar with emergency procedures. Furthermore, evacuation plans and exit signs are properly displayed and maintained at all exits. The Company also ensures that all office premises are equipped with properly inspected, well-maintained, and accessible fire-fighting equipment and sprinkler systems.

The Company promotes good housekeeping in order to eliminate or rectify office hazards such as loose cables and folded carpets. We plan to inspect and replace any carpets that aren't properly secured in 2022. Staff are encouraged to make use of proper tools and assistance when performing manual operations such as transporting heavy documents or boxes. It is also Company policy to maintain adequate first aid facilities on office premises with designated employees to check and refill supplies. The Company has budgeted subsidy for staff who wish to be first-aid certified in 2022.

(c) COVID-19 Response

Since early February 2020, the COVID-19 pandemic continues to impact the world economy. While aggressive vaccine roll-out and stringent preventive measures have induced hope for the world to return to pre-pandemic normality, Asia Financial continues to adopt measures to minimize staff's risk of exposure to COVID-19.

- Staff are required to wear protective face masks while commuting to and from work, in public areas, and in the office;
 - o Complementary face masks are available upon request.
- Staff are encouraged to observe social distancing and avoid unnecessary business travel, in-person meetings with external parties, lunches, and entertainment;
 - o Asia Financial has upgraded videoconferencing and teleconferencing technology to facilitate virtual meetings.
- Upon entering the office, staff should have their temperature checked and clean their hands with hand sanitizer provided at the reception counter;
- All visitors are required to scan the Leave Home Safe application and/or fill out a form with their contact information to facilitate contact tracing;
- To encourage staff to get COVID-19 vaccines, Asia Financial has offered the following incentives during early vaccine roll-out phase:
 - o Complementary pre-vaccination body check-up;
 - o Half day-off for vaccination appointment;
 - o One day-off following vaccination to recuperate from any side-effects; and
 - o Staff exempted from COVID-19 vaccine due to medical reasons will receive subsidy for weekly COVID-19 tests.

E. Working Environment (cont'd)

E2. Health and Safety (cont'd)

(c) COVID-19 Response (cont'd)

COVID-19 Vaccination rate (%) (as at 31/12/2021)		
AFH	AI	AFH Group Total
98.2%	88.7%	90.7%

COVID-19 Quarantine/Infections Figures (for the year 2021)			
	AFH	AI	AFH Group
No. of COVID-19 Infections	0	0	0
No. of Quarantines (voluntary)	18	21	39
No. of Quarantine Days (voluntary, excludes work-from-home)	19	65.5	84.5

In 2020, Asia Financial set a goal to reduce the number of quarantine days by 80% (2020 figure: 505 days, 2021 goal: 101days). In 2021, we have reached our 2020 goal, and have an 83% decrease with a total of 84.5 quarantine days. For 2022, our goal is to keep the number of quarantine days to same level as 2021 due to business and headcount growth. However, this will be dependent on Hong Kong's evolving COVID-19 situation.

E3. Development and Training

At Asia Financial, we believe that our employees are our most valuable resource. We strive to maintain a healthy, open, and supportive company culture and working environment, and to provide staff with opportunities for further training, development, and potential career advancement within the Company. Apart from providing seminars and training courses, we also offer training allowances for employees who wish to advance their job-related qualifications and skills.

We have designed and organized a range of workplace training programs to enhance staff's talents and professional skills suitable for staff across all levels. We focus on training topics such as business ethics, corporate governance, technological, soft-skills training, as well as insurance-related subjects, some examples include:

- "Listed Holding Company's Control & Monitoring of Subsidiaries"
- "ICAC Webinar on the Corruption Prevention Guide for Insurance Companies"

While the pandemic continues to halt most in-person training sessions, there has been increasing opportunities for hosting and joining virtual trainings. We have set a goal of increasing 2021 training hours by 10% compared to 2020 (average training hours in 2020 was 12.15 hours per employee), which we have met the goal with a total of 16.4 average training hours per employee in 2021, a 35% increase. For 2022, we aim to further increase average training hours by 25% with the increasing varieties of training courses available, both Company organized training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

E. Working Environment (cont'd)

E3. Development and Training (cont'd)

Training statistics for the year 2021 are as follows:

Training Statistics By Gender (HK staff only)			
	AFH	AI	AFH Group
% Employees Trained	94.7%	95.7%	95.5%
% Male Employees Trained	92.6%	91.5%	91.7%
% Female Employees Trained	96.6%	98.6%	98.2%
Average Training Hours Completed per Employee	4.86 hours	19.22 hours	16.40 hours
Average Training Hours Completed per Male Employee	4.31 hours	18.21 hours	15.11 hours
Average Training Hours Completed per Female Employee	5.37 hours	19.91 hours	17.33 hours

Training Statistics By Employee Category (HK staff only)				
		AFH	AI	AFH Group
% Employees Trained	Senior Management	90.9%	92.3%	91.9%
	Middle Management	93.3%	100.0%	98.6%
	General Staff	96.7%	94.7%	95.0%
	Overall	94.7%	95.7%	95.5%
Average Training Hours Completed per Employee	Senior Management	9.59 hours	20.89 hours	17.53 hours
	Middle Management	6.33 hours	23.04 hours	19.56 hours
	General Staff	2.47 hours	17.48 hours	14.91 hours
	Overall	4.86 hours	19.22 hours	16.40 hours

E4. Labour Standards

As part of the financial services industry, Asia Financial sees little to no risk of potential involvement in, or exposure to, forced or compulsory child labour, thus is not material to our operations. Management believes that our current recruitment procedures are more than adequate to prevent child or forced labour, including verification of candidate details or obtaining job references when appropriate.

The Group is totally committed to complying with the Employment Ordinance and associated guidelines. Our Internal Audit team regularly reviews the Company's employment compliance and conditions at all our locations.

Multiple policies are in place to ensure compliance with employment standards, including:

- Human Resources Policy
- Personal Data (Privacy) Policy
- Equal Employment Opportunities Policy

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F. Minimizing the Impact of Climate Change on Our Insurance Business

Climate change, for obvious reasons, has a direct and dramatic impact on an insurance company's balance sheet.

Extreme and unpredictable weather conditions increase our exposure to disaster related risks like typhoons, floods, and fires. For this reason, Asia Insurance continually reviews its reinsurance protection and when necessary increases it. With an eye towards decreasing our exposure to climate related disaster, we are also expanding risk analytic capabilities of our climate-related exposures.

One of the major ways to alleviate the impact of extreme weather on our insurance risk profile is to arrange for an extra layer of reinsurance. This provides protection for our business in Hong Kong, and also covers our exposure in other geographical regions, especially Asia.

Currently we are waiting for information from the Insurance Authority that will enable us to set quantifiable climate change targets. The Insurance Authority has been working on a set of ESG guidelines, requirements and reporting standards which are expected to come out soon. Once they release this information, we will set our strategy and targets.

G. Environmental

G1. Minimizing the Environmental Impact of Our Operations Through Carbon Emission Reduction

As a responsible member of Hong Kong's business community, we support Hong Kong's plan to achieve carbon neutrality by 2050 and associated strategies as listed in the *Climate Action Plan 2050*. To this end, we have been allocating resources that reduces greenhouse gas emissions ("GHG emissions").

Since 2009 and using it as a base-year, Asia Financial has been consistently measuring and collecting data on our emission profile using *SME Carbon Audit Toolkit* jointly developed by the University of Hong Kong and City University of Hong Kong in February 2010. Information being tracked include company vehicle usage, unleaded petrol consumption, electricity consumption, paper consumption, and recycling, and staff's overseas business trips.

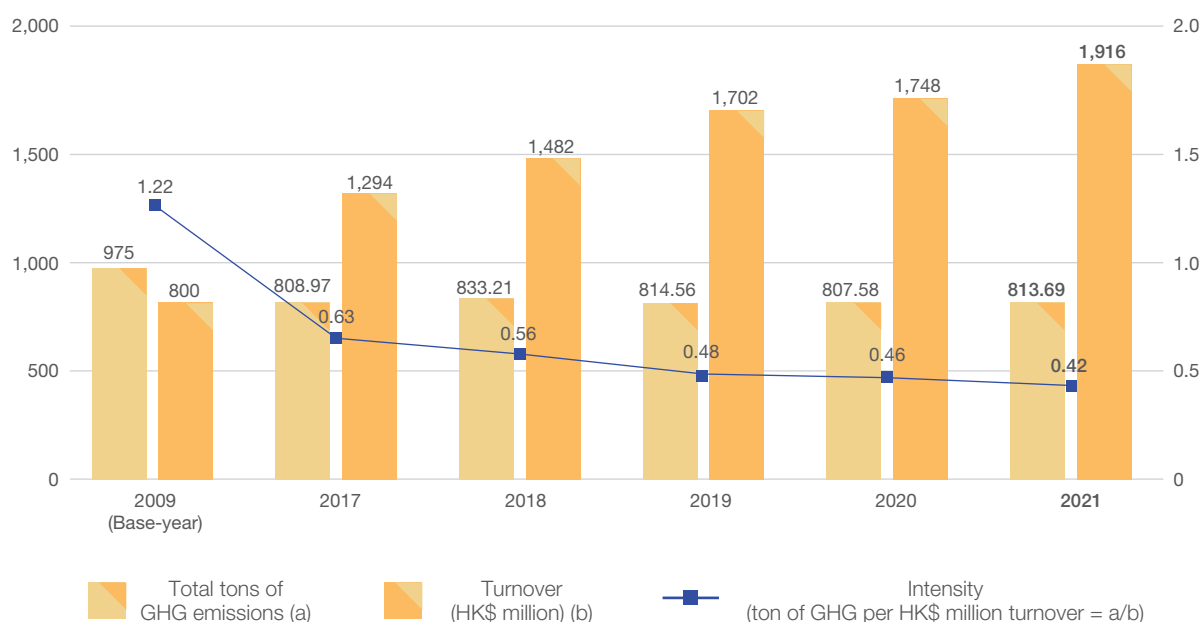
Asia Financial's business does not generate significant amounts of GHG emissions or pollutants, nor do we require significant amounts of resources such as energy, water, raw and packaging materials. However, we strive to be a pioneer in environmental best practices and to comply with, and exceed, regulatory requirements whenever possible. We have active strategies to manage our carbon footprint, use resource efficiently, and reduce waste throughout our business operations. Detailed records of the Company's carbon emission have proven to be an extremely useful tool to identify and eliminate unnecessary energy consumption.

AFH Group GHG Emissions Intensity						
	2009 (Base-year)	2017	2018	2019	2020	2021
Total tons of GHG emission (a)	975	808.97	833.21	814.56	807.58	813.69
Turnover (HK\$ million) (b)	800	1,294	1,482	1,702	1,748	1,916
Intensity (ton of GHG per HK\$ million turnover = a/b)	1.22	0.63	0.56	0.48	0.46	0.42

G. Environmental (cont'd)

G1. Minimizing the Environmental Impact of Our Operations Through Carbon Emission Reduction (cont'd)

AFH Group GHG Emissions Intensity



As a result of organic growth, Asia Financial's total revenue reached HK\$1,916 million in 2021, an increase of 139.5% from the base-year 2009. Although increase in business activities inevitably increased some categories of carbon emission, such as electricity purchased, we were able to continually reduce overall GHG emission by 16.5% from 975 to 813.69 tons of CO₂e during 2009-2021. Asia Financial is arranging carbon neutral through Carbon Credits by CLP and offset 813.69 tons of GHG emission.

The scope and boundary of the following reported data on environmental performances covers the Hong Kong operations of Asia Financial Holdings Limited ("AFH") and its wholly-owned subsidiary, Asia Insurance Company, Limited ("AI").

Environmental, Social and Governance Report

G. Environmental (cont'd)

G2. Emissions

(a) Carbon Footprint Management Strategy

Asia Financial's success in reducing carbon footprint despite revenue growth is dependent on targeted reduction strategies based on quantifiable emission data over the years. The 2021 carbon emission data are as follows:

Greenhouse Gas ("GHG") Emissions (tons CO ₂ equivalent)			
	AFH	AI	AFH Group
Scope 1: Unleaded petrol & gas oil combustion	70.81	45.73	116.54
Scope 2: Purchased electricity	109.55	531.48	641.03
Scope 3: Overseas business travel, paper waste	2.39	53.73	56.12
Total	182.75	630.94	813.69

Types of Emissions and Respective Emission Data*			
	AFH	AI	AFH Group
Nitrogen Oxides ("NO _x ") emissions (g)	6,066.48	8,217.68	14,284.16
Sulphur Oxides ("SO _x ") emissions (g)	183.28	248.27	431.55
Particular Matter ("PM") emissions (g)	446.66	605.05	1,051.71

*Notes:

The source of emissions is mainly from our company cars while our business operations have minimal effects.

All the above calculations are based on the emission factors listed in Appendix 2 Reporting Guide on Environmental KPIs of "How to prepare an ESG Report?" issued by The Stock Exchange of Hong Kong Limited.

G. Environmental (cont'd)

G2. Emissions (cont'd)

(b) Measures regarding hazardous and non-hazardous wastes

Total hazardous and non-hazardous waste produced			
Hazardous waste	Hazardous waste is minimal due to the nature of our business operations.		
	AFH	AI	AFH Group
Non-hazardous waste	Our non-hazardous waste mainly comes from disposal of paper waste at landfills.		
	-6.69 tons CO ₂ equivalent	53.73 tons CO ₂ equivalent	47.04 tons CO₂ equivalent
	-0.12 tons CO ₂ equivalent per staff	0.25 tons CO ₂ equivalent per staff	0.17 tons CO₂ equivalent per staff

Asia Financial takes the following measures to further minimize waste:

- Professional vendors collect ink cartridges from copiers and printers;
- Professional specialist firms collect paper for recycling.

	AFH	AI	AFH Group
% with Recycled Content	146.56%	48.27%	60.22%
Total Paper Recycling	4,390 kg	10,447 kg	14,837 kg

(c) Measures to mitigate emissions and energy use

(c1) Staff engagement

Employee participation is essential to our green office policies, including a "Switch-off" policy for idle electronic equipment. Furthermore, staff are encouraged to print hardcopies only when necessary.

(c2) Use of energy efficient lighting & equipment

Since 2009, Asia Financial has replaced T8 fluorescent lamps with T5 fluorescent lamps, and 12V50W spotlights with 3W LED spotlights in all our local offices. Further LED lighting upgrades planned for 2022 is expected to further decrease the Company's carbon emission from electricity used.

(c3) Curbing or eliminating non-essential business travel

During the COVID-19 pandemic, Management and staff have been video conferencing rather than traveling overseas for in-person meetings. We hope this trend continues, so that we can continue to reduce carbon emissions from staff overseas business trips.

G. Environmental (cont'd)

G2. Emissions (cont'd)

(c) Measures to mitigate emissions and energy use (cont'd)

(c4) *Green Office Policy*

We practice a “Green Office Policy” that includes a “switch-off” policy for idle lighting and electronic equipment, and the use of energy efficient office lighting and equipment. At our Worldwide House main office, we are planning to replace the existing 6-year-old lighting system with a more energy-efficient one.

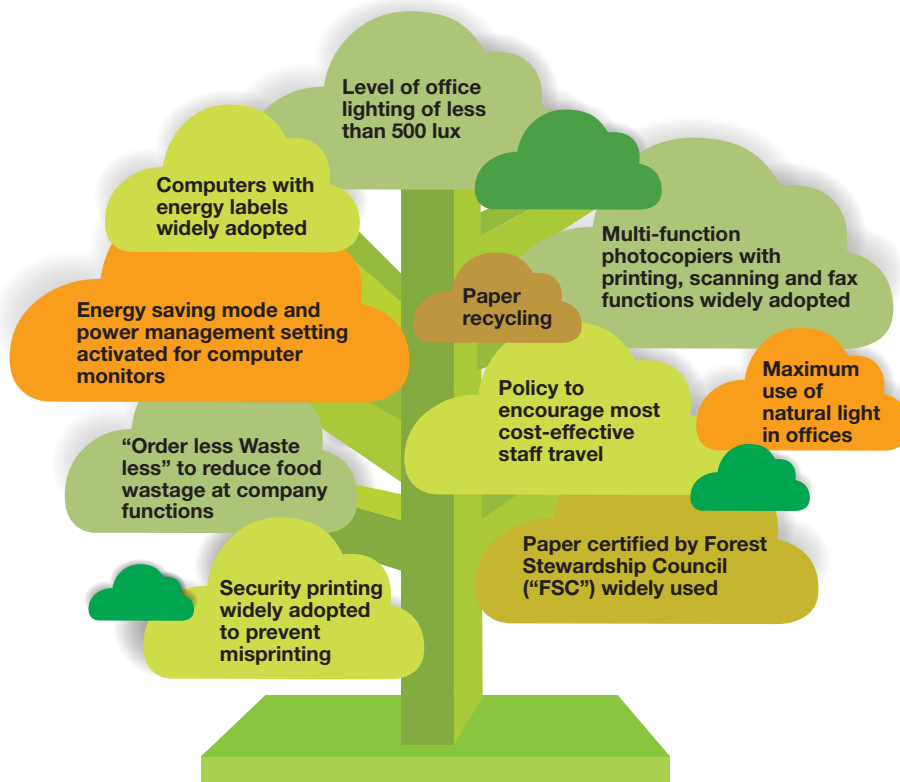
(c5) *Printing efficiency project to reduce paper waste*

Asia Insurance has launched a printing efficiency project with the following features:

- Centralized and consolidated printer functions;
- Double-sided and black & white printing modes are now set as office-wide defaults.

These initiatives are expected to help reduce paper waste in the future. In the long term, Asia Insurance will explore the possibility of paperless operations by adopting electronic solutions for business processes.

(c6) *Other measures to reduce carbon emissions*



G. Environmental (cont'd)

G3. Use of Resources

Asia Financial's business does not involve significant use of resources such as energy, water, raw and packaging materials. However, we strive to reduce wastage and use resources efficiently within our business operations as much as possible. Total water consumption and intensity is unavailable as business premises are located within buildings with centralized water metering. Thus, we also unable to provide description on sourcing water and setting water efficiency targets. Total packaging materials used for finished goods is not applicable to our business operations, thus no data will be disclosed.

Direct and indirect energy consumption by type (e.g., electricity, gas, or oil) and intensity			
	AFH	AI	AFH Group
Total Electricity Consumption (kWh)	131,722	632,710	764,432
Total Unleaded petrol Consumption (Litres)	12,467.70	16,888.79	29,356.49
Total Gas Oil Consumption (Litres)	12,400	0	12,400
Energy Consumption Intensity (tons CO ₂ equivalent per staff)	3.16	2.72	2.82

G4. The Environment and Natural Resources

Although our business activities do not have significant impact on the environment and natural resources, our commitment to sustainability has resulted in paper waste sent to landfill reduced from 20,536kg in 2009 to 14,837 kg in 2021.

Measures described in Section G2(c) contribute to reducing our impacts on the environment and natural resources.

H. Operations

H1. Supply Chain Management

Asia Financial fully considers environmental and social standards in its sourcing and procurement activities. Our ethics and values inform all our interactions with suppliers, contractors, and service providers.

Due to business needs, we are unable to quantify or specifically provide the number of suppliers by geographical region, but all suppliers of furniture, equipment, stationary, and other office items to Asia Financial are sourced locally. We expect suppliers and their supply chain to comply fully with all applicable laws and regulations in the conduct of their business. We identify, assess, and monitor supplier practices with regards to human and labour rights, the environment, health and safety, and anti-corrupt principles through business search and reviewing their past experiences. Where practical, we also work with our vendors to encourage the use of responsibly and sustainably produced goods and services.

In our latest Procurement Policies, we have included Best Value Procurement practices as one of our principles. This ensures that while goods and services judged based on monetary value are important, we also focus on its quality, reliability, reputation, as well as their commitment to environmentally friendly practices when selecting vendors, contractors, or service providers.

H. Operations (cont'd)

H2. Product Responsibility

(a) Service Quality

For our insurance business, operations strictly comply with the Companies Ordinance and regulations of the Insurance Authority. Our Internal Audit team conducts periodic checks to make sure the quality of service and the terms of the insurance contracts are properly arranged.

Due to the nature of insurance business, there are no recall procedures for our products. If customers are unsatisfied with our service or the terms of the insurance contract, our staff are more than willing to make necessary adjustments. During 2021, 3 customer complaints were made concerning products and services provided by Asia Insurance. These were carefully assessed and handled by the Complaint Officer with the customers concerned and were satisfactorily settled.

(b) Intellectual Rights

Our policy on copyright, patents, and trademarks is subject to review from time to time to ensure compliance with all applicable Hong Kong laws. Our business operation's major exposure is the design of our marketing materials and the use of computer software. We have implemented the following measures to minimize risks:

- All marketing areas are centrally processed and approved by the Administration Department to avoid intellectual property right infringement;
- Our policy against illegal and unlicensed computer software prohibits employees from installing computer software onto any information technology equipment on Company premises. Duplicating licensed software for backup purposes is also prohibited unless an additional license is granted.

H3. Personal Data (Privacy) Policies

Asia Financial is committed to adopting and complying with all relevant provisions of the Personal Data (privacy) Ordinance, Chapter 486, the Laws of Hong Kong ("the Ordinance"). The Company upholds the personal data privacy protection principles stated in Schedule 1 of the Ordinance for the purpose of collecting, retaining, processing, and using personal data. The Company has a designated Data Protection Officer to monitor compliance and assist department heads who have direct control of personal data. Our Internal Audit Department conducts regular checks to ensure compliance with all regulations.

H4. Anti-corruption

Asia Financial is committed to complying fully with all applicable laws and regulations in order to combat corruption, money laundering, extortion, fraud, and other financial crimes.

Asia Financial reserves the right to terminate immediately any business relationship that violates or presents the risks of violating such laws, regulations, or policies of the Company.

Asia Financial's written policies, procedures, and internal controls in this area includes a risk assessment process, education and training, review and approval processes, due diligence procedures, accounting processes, and independent testing processes. Personnel who engage in or facilitate bribery, or who fail to comply with all applicable laws and regulations and our related policies, may be subject to disciplinary action.

There were no corrupt practice cases against either the Company or its employees during the year 2021.

H. Operations (cont'd)

H5. Preventive Measures & Whistleblowing

Asia Financial is committed to the highest standards of openness, probity, and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality, and honesty. Employees are encouraged to raise concerns about any suspected misconduct or malpractice within the Group, without fear of victimization or harassment, in a responsible and effective manner, rather than overlooking a problem or blowing the whistle outside.

This year, we invited ICAC to conduct anti-corruption training for all staff, several Management-level staff attended an additional anti-corruption training tailored specifically to the insurance industry. Additionally, the Director's training help during the 4th quarter was conducted by Ernst & Young on the topic of "Listed Holding Company's Control and Monitoring of Subsidiaries".

The Company has devised a Whistleblowing Policy to achieve the above corporate governance target. The Policy applies to employees (permanent or temporary) at all levels of the Group and will be reviewed at least annually.

Whistleblowing matters may include, but are not limited to:

- Criminal offenses;
- Failure to comply with any legal obligations;
- Miscarriage of justice;
- Financial impropriety;
- Action which endangers the health and safety of an individual;
- Action which causes damage to the environment;
- Deliberate concealment of information concerning any of the matters listed above.

If Asia Financial discovers any incident of corruption, money laundering, extortion, fraud, and other financial crimes, legal and/or disciplinary action will be taken. The Audit Committee has overall responsibility for overseeing, monitoring, and reviewing the operation of the policy and recommendations for action resulting from investigations, while day-to-day responsibility is assigned to the President of the Company.

I. Community

Commitment to our community is at the heart of Asia Financial's company culture. We aim to make a positive difference to society through donations, partnerships with social enterprises and staff volunteering activities. We strive to reach a wide range of beneficiaries with these different forms of outreach.

Environmental, Social and Governance Report

I. Community (cont'd)

11. Donations & Sponsorship

In 2021, Asia Financial Group contributed a total of HK\$16,725,000 (mainly through donations and sponsorships) towards the support of non-profit organizations both local and overseas. Respectively, Asia Financial contributed HK\$8,502,000 and Asia Insurance contributed HK\$8,223,000. This amount represents a significant increase of 9.5 times from the prior year as fundraising activities in the last year were significantly impacted by COVID-19.

Donations & Sponsorships Made in 2021 by Category	
Education	0.47%
Donation to NGOs/Charities	97.23%
Others	2.30%

12. Community Involvement – Partnership with Social Enterprises

We invest in SVHK Capital Limited (“SVHK”), which is a venture philanthropic organization that provides financial and non-financial support to social-purpose organizations and social enterprises in Hong Kong. SVHK’s flagship project is Light Be (Social Realty) Limited (“Light Be”).



Light Be helps individuals living in poor environments such as subdivided flats find alternative living arrangements, such as Light Rooms, where private property owners are encouraged to rent units at an affordable or below market rate to underprivileged single-parent families with urgent housing needs. Light Rooms provide 3-bedroom flats for three single-parent households to share the dining room, kitchen, and washroom. Light Be aims to restore self-esteem for families to become self-sufficient, and encourages people to foster a sense of togetherness and build a supportive neighborhood.



13. Community Involvement – Staff Volunteering

Community life is as important to our Company’s employees as it is to our Company. We organize volunteering programmes every year because we believe that personal caring and outreach is a valuable resource that amplifies the social impact of financial contributions and organization sponsorships. At the heart of these efforts is the voluntary work undertaken by individual members of staff within our local communities. Volunteer statistics below only include company-organized or approved volunteer activities, thus excluding any personal volunteer hours completed by staff during their personal time.

With the cooperation of Evangelical Lutheran Church Social Service – Hong Kong and the Tung Wah Group of Hospitals, AI has arranged several volunteer activities in 2021 to bring love and care to senior citizens. Thus, our volunteer hours as a group in 2021 increased by 25% compared to 155 volunteer hours in 2020, which was due to the slightly improved COVID-19 situation in Hong Kong that year.

Volunteer Service Statistics for 2021			
	AFH	AI	AFH Group
Total number of volunteers	0	57	57
Total service hours	0	193 hours	193 hours

J. 2022 ESG Targets

J1. Carbon Emissions

We aim to maintain Asia Financial's carbon emission at least at existing level, or at a slight 5% reduction in intensity per HK\$ million turnover.

J2. Health & Safety – COVID-19

We aim to keep the number of quarantine days at the same level as 2021, however, this does depend on the ongoing COVID-19 situation in Hong Kong.

As for COVID-19 vaccination rate, Asia Financial Group as a whole aims to reach at least 95% vaccination rate. As booster shots are already available, we further aim to reach at least 80% booster vaccination rate in 2022 respectively for AFH and AI.

J3. Impact of Climate Change

Asia Insurance aims to continue to review and increase, if necessary, reinsurance protection, and will further expand its risk analysis of coverage to cover climate-related risks.

Asia Insurance also aims to set quantifiable climate change targets if, and when, the Insurance Authority has completed and released its requirements and reporting standards.

The Board will continue to exercise stringent oversight over ESG-related matters that covers Asia Financial as a Group.

J4. Training

For 2022, we aim to further increase average training hours by 25% with the increasing varieties of training courses available, both Company organized training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

J5. Volunteer

The end of 2021 began a new wave of COVID-19 cases with the Omicron variant, it is expected that volunteer activities will again come to a halt. Thus, while we aim to increase volunteer hours by at least 10%, fulfilling this target will be dependent on COVID-19 situation in Hong Kong in 2022.

J6. Green Finance

We aim to diversify our investment portfolio with increasing focus on green energy related stocks and funds by a minimum of HK\$50 million, such as electric vehicles and reusable energy.

K. Conclusion

This report describes Asia Financial's ongoing and multi-platform efforts to be a responsible company. We remain committed to a continuous review of our performance in the areas of workplace equality, environmental sustainability, promotion of ethical business practices and community involvement, so that we may evolve and improve. As the business environment constantly grows and changes, so does the community of which we are a part of. That is why we will continue to monitor and develop our ESG performance as a core function of corporate management, just as we do with our traditional financial indicators.

Corporate Governance Report

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, suppliers, employees, the community and other stakeholders.

The Company has complied with all the applicable 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, 2021.

The Board has applied with the principles set out in the CG Code and has adopted various measures to ensure that a high standard of corporate governance is maintained. The below sets out the corporate governance principles and practices adopted by the Group which indicate how the Group has applied relevant principles in the CG Code.

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 has made specific enquiry of all directors and all directors have confirmed that they have complied with the required standard as set out in the Code of Conduct and the Model Code throughout the year ended 31st December, 2021.

Board of Directors

Board Composition

The Board currently comprises 9 members, consisting of 4 executive directors (including the Chairman and the President), 2 non-executive directors (“NEDs”) and 3 independent non-executive directors (“INEDs”). The name of chairman, executive directors, NEDs and INEDs are set out under the heading “Attendance Records of Directors” hereinafter. 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 on pages 60 to 63 of this annual report. The updated list of directors of the Company identifying their roles and functions and whether they are INEDs is available on the websites of the Company and the Stock Exchange. INEDs are also identified as such in all corporate communications that disclose the names of directors of the Company.

The Board has adopted a Board Diversity Policy which is published on the Company’s website. This policy sets out the Company’s approach to achieve and maintain diversity on the Board.

Board of Directors (cont'd)

Board Composition (cont'd)

Pursuant to the Board Diversity Policy, appointments of Board members 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, race, professional experience, skills, knowledge, length of services and other factors that the Board may consider relevant and applicable from time to time. The board would review the implementation and effectiveness of the Board Diversity Policy on an annual basis.

An analysis of the Board's current composition as at 31st December, 2021 is as follows:

		Number of directors	
Designation	Executive Director	4	44.4%
	NED	2	22.2%
	INED	3	33.3%
Gender	Male	7	77.8%
	Female	2	22.2%
Age group	81 or over	1	11.1%
	71-80	1	11.1%
	61-70	3	33.3%
	51-60	3	33.3%
	41-50	1	11.1%
Nationality	Chinese	7	77.8%
	Non-Chinese	2	22.2%
Directorship with Asia Financial (years)	Over 20	2	22.2%
	10-19	2	22.2%
	1-9	4	44.4%
	Less than 1	1	11.1%
Other listed company directorships	5	1	11.1%
	3	1	11.1%
	1	3	33.3%
	0	4	44.4%

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 was updated in the year and 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.

Board of Directors (cont'd)

Appointment and Re-election of Directors and Nomination Policy

All directors are subject to retirement by rotation and re-election at each annual general meeting (“AGM”) as per the Bye-laws of the Company. Any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting or next following AGM of the Company and shall then be eligible for re-election.

The Company has a Nomination Policy which setting out the procedures, process and criteria for identifying and recommending candidates for election to the Board or for re-election to the Board.

According to the Nomination Policy, any proposed appointment or re-election will be first reviewed by the Nomination Committee. The selection of candidates will be based on criteria set out in the Nomination Policy, which include but not limited to qualification, experience, ability to provide insights and practical wisdom based on his/her experience and expertise, time commitment, contribution to and enhancement on the Board’s balance of skills, experience and diversity of perspectives. The identified candidates will be recommended by the Nomination Committee to the Board for further consideration. The qualified candidates will be approved by the Board or by shareholders in any general meeting.

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 monitors the Group’s financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures 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. 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

All NEDs and INEDs do not actively involve in the day-to-day management of the Company. They, however, do play an important role in bringing their independent judgement, considerable knowledge and diverse expertise to the Board’s deliberations.

Each NED (including INED) of the Company has received a letter of appointment from the Company for a specific term of office of less than 3 years and is subject to retirement by rotation and eligible for re-election at the AGM in accordance with the Company’s Bye-laws.

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 of the INEDs an annual written confirmation of his/her independence for the year ended 31st December, 2021. The independence of the INEDs has been assessed in accordance with the criteria as set out in Rule 3.13 of the Listing Rules. Following such assessment, the Board has affirmed that all the INEDs continue to be independent.

Board of Directors (cont'd)

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. The schedule of Board meetings for a year is planned in the preceding year and such schedule is made available to all directors to facilitate directors' attendance at the meetings. Directors receive written notice of each regular Board meeting at least 14 days in advance and they are given an opportunity to include matters in meeting agenda. The Company Secretary assists the Board in preparing the agenda for meetings. Directors receive the meeting agenda and accompanying Board papers at least 3 days before the date of Board meeting so that the directors have the time to review the documents. Minutes of every Board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following Board meeting. Minutes of Board meetings are kept by the Company Secretary and are open for inspection by directors.

Directors make their best efforts to contribute to the development of strategy, policies and decision-making by attending the Board meetings in person, use Zoom or via telephone conferencing.

During the year 2021, the Company held four Board meetings. In addition, one written resolution was passed by all the Board members. The summary of works performed by the Board were as follows:

- discussed the business development and strategies of the Group;
- approved the Group's financial and profit budget;
- reviewed and received financial and business updates with information on the Company's latest financial and operational performance;
- reviewed the risk management and internal control systems by receiving reports from the respective Board committees;
- approved the interim and annual results announcement of the Group and the release to the public;
- approved the interim report as well as the annual report of the Company (including the Corporate Governance Report and the Environmental, Social and Governance ("ESG") Report) and the release to the public;
- declared interim dividend payment and recommended final dividend for shareholders' approval;
- endorsed the nomination of the retiring directors for re-election at the AGM;
- approved the re-appointment of the retiring members of various Board committees;
- endorsed the nomination of a candidate for election as a new INED at the AGM, and changes in composition of certain Board committees, and approve the issue of relevant announcement;
- endorsed the recommendation for re-appointment of the Company's external auditor for shareholders' approval and fixed their fee as authorized by the shareholders;
- reviewed and approved policies/guidelines/terms of reference in relation to risk management and internal control, finance, operation and compliance etc. and, where applicable, to approve the release to the public; and
- approved the positive profit alert announcement and the release to the public.

Corporate Governance Report

Board of Directors (cont'd)

Attendance Records of Directors

Other than regular Board meetings, the Chairman also held a meeting with the INEDs without the presence of the other directors and management during the year to discuss issues relating to the Group that the INEDs wish to raise at the Board.

The attendance record of each director at the Board meetings held in 2021 and the 2021 AGM of the Company are set out below:

Name of director	Board meetings	2021 AGM
<i>Executive Directors:</i>		
CHAN Yau Hing Robin (<i>Chairman</i>)	3/4	0/1
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>		
KAWAUCHI Yuji	4/4	1/1
OGURA Satoru	4/4	1/1
<i>INEDs:</i>		
CHOW Suk Han Anna*	2/2	1/1
LAI KO Wing Yee Rebecca	4/4	1/1
SHUEN LEUNG Lai Sheung Loretta	4/4	1/1
AU YANG Chi Chun Evan [#]	2/2	0/0

* Retired on 21st May, 2021

[#] Appointed on 21st May, 2021

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 2021, no claim under the insurance policy was made.

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 reading materials for regular updates on applicable legal and regulatory requirements. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

In year 2021, the Company organised an in-house webinar on the topic of "Listed Holding Company's Control and Monitoring of Subsidiaries" conducted by a professional body for directors at the Company's expense. The Company also provided other e-training to directors on the topic of "Code of Conduct: Anti-bribery and Conflict of Interest" and "How to Review an ORSA". Written materials of the relevant webinar/training were provided to all directors for reading and reference. Apart from what the Company had arranged, some of the directors also attended other external training seminars.

Board of Directors (cont'd)

Directors' Training (cont'd)

According to the training records provided by all current directors of the Company as at 31st December, 2021, which had been reviewed by the Compliance Committee in March 2022, all directors have complied with Code Provision A.6.5 of the CG Code (which has been re-numbered as Code Provision C.1.4 since 1st January, 2022) during the year. The training received by the current directors is summarized as follows:

Name of director	Reading materials (relevant to the Group's businesses, directors' duties & regulatory updates)	Attending webinars/seminars (relevant to the Group's businesses, directors' duties & regulatory updates)
<i>Executive Directors:</i>		
CHAN Yau Hing Robin (<i>Chairman</i>)	✓	✓
CHAN Bernard Charnwut (<i>President</i>)	✓	✓
TAN Stephen	✓	✓
WONG Kok Ho	✓	✓
<i>NEDs:</i>		
KAWAUCHI Yuji	✓	✓
OGURA Satoru	✓	✓
<i>INEDs:</i>		
LAI KO Wing Yee Rebecca	✓	✓
SHUEN LEUNG Lai Sheung Loretta	✓	✓
AU YANG Chi Chun Evan [#]	✓	✓

[#] Appointed on 21st May, 2021

Delegation by the Board

Board Committees

As an important part of a sound corporate governance practice, the Board has set up several Board committees including the Executive Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee, the Audit Committee and the Risk 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.

Delegation by the Board (cont'd)

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 usually meets once a month with the Group's senior executives 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 2021, the Executive Committee held eleven meetings and the attendance record of each executive director is set out below:

Name of executive director	Number of meetings attended/held
CHAN Yau Hing Robin (<i>Chairman</i>)	6/11
CHAN Bernard Charnwut (<i>President</i>)	10/11
TAN Stephen	11/11
WONG Kok Ho	11/11

Remuneration Committee

The Remuneration Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The name of chairperson and members are set out in the attendance record shown below. The Remuneration Committee meets at least once each year with the Company's Head of Human Resources and reports to the Board on their decisions or recommendations following each meeting.

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.

During the year 2021, the Remuneration Committee held one meeting. The summary of works performed by the Remuneration Committee were as follows:

- 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 for the Board's endorsement the remuneration proposal of the directors' fees and the Board committees' members' fees subject to the shareholders' approval at the AGM of the Company;
- ensure no director or any of his associates is involved in deciding his own remuneration;
- reviewed the Terms of Reference of the Remuneration Committee and the Remuneration Policy, recommended changes, if any, for the Board's approval; and
- submitted a summary report on the resolved issues and recommendations to the Board.

Delegation by the Board (cont'd)

Remuneration Committee (cont'd)

The attendance record of each member at the Remuneration Committee meeting held in 2021 is set out below:

Name of member	Number of meeting attended/held
<i>INEDs:</i>	
LAI KO Wing Yee Rebecca (<i>Chairperson</i>)	1/1
CHOW Suk Han Anna*	1/1
SHUEN LEUNG Lai Sheung Loretta	1/1
AU YANG Chi Chun Evan#	0/0
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	1/1
WONG Kok Ho	1/1

* Ceased to be member on 21st May, 2021

Appointed on 21st May, 2021

Nomination Committee

The Nomination Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The name of chairperson and members are set out in the attendance record shown below. The Nomination Committee meets at least once each year and reports to the Board on their decisions or recommendations following each meeting.

The Nomination Committee is responsible for making recommendations to the Board on nominations, appointments or re-appointments of directors and committee members in accordance with the Nomination Policy adopted by the Company. The Nomination Committee considers and reviews, among other things, the structure, size, composition and diversity of the Board, the balance of skills, knowledge and experience of the candidates, independence of INEDs, re-election of retiring directors, term of appointment of NEDs (including INEDs) and the membership of respective Board committees. The Nomination Committee is also responsible for developing and reviewing measurable objectives for the Company's Board Diversity Policy to ensure its effectiveness. The Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

Corporate Governance Report

Delegation by the Board (cont'd)

Nomination Committee (cont'd)

During the year 2021, the Nomination Committee held one meeting. The summary of works performed by the Nomination Committee were as follows:

- reviewed, assessed and confirmed the independence of all the INEDs;
- reviewed the structure, size, composition and diversity of the Board;
- considered and recommended to the Board of the nomination of the retiring directors for re-election by shareholders at the Company's AGM;
- considered and recommended to the Board of the re-appointment of the retiring members of various Board committees;
- considered and recommended to the Board of the nomination of a candidate for appointment as an INED of the Company by shareholders at the Company's AGM;
- reviewed the Terms of Reference of the Nomination Committee, the Board Diversity Policy and the Nomination Policy, recommended changes, if any, for the Board's approval; and
- submitted summary report on the resolved issues and recommendations to the Board.

The attendance record of each member at the Nomination Committee meetings held in 2021 is set out below:

Name of member	Number of meeting attended/held
<i>INEDs:</i>	
CHOW Suk Han Anna (<i>Chairperson</i>) [*]	1/1
AU YANG Chi Chun Evan (<i>Chairperson</i>) [#]	0/0
LAI KO Wing Yee Rebecca	1/1
SHUEN LEUNG Lai Sheung Loretta	1/1
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	1/1
WONG Kok Ho	1/1

* Ceased to be Chairperson and member on 21st May, 2021

Appointed on 21st May, 2021

Delegation by the Board (cont'd)

Compliance Committee

The Compliance Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The name of chairperson and members are set out in the attendance record shown below. The Compliance Committee meets at least twice each year and reports to the Board on their decisions or recommendations following each meeting.

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 and procedures. The Compliance Committee is responsible for reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

During the year 2021, the Compliance Committee held three meetings and one written resolution was passed by all members of the Compliance Committee. The summary of works performed by the Compliance Committee were as follows:

- received report on progress of meeting the new ESG reporting requirements and on the main ESG targets for 2021;
- reviewed the Company's compliance with the ESG Reporting Guide and disclosure in the ESG Report;
- reviewed the reports on the work done by the Compliance Officer on the Group's compliance with legal and regulatory requirements;
- reviewed the Terms of Reference of the Compliance Committee and Code of Conduct (including anti-corruption laws and regulations), also endorsed the policies/guidelines/terms of reference in relation to corporate governance, recommended changes, if any, for the Board's approval;
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- reviewed the training records of all the directors and the Company Secretary;
- submitted compliance reports to the Audit Committee; and
- submitted summary reports to the Board on the resolved issues and recommendations.

The attendance record of each member at the Compliance Committee meetings held in 2021 is set out below:

Name of member	Number of meetings attended/held
<i>INEDs:</i>	
CHOW Suk Han Anna (<i>Chairperson</i>)*	1/1
AU YANG Chi Chun Evan (<i>Chairperson</i>)#	2/2
LAI KO Wing Yee Rebecca	3/3
SHUEN LEUNG Lai Sheung Loretta	3/3
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	3/3
TAN Stephen	3/3

* Ceased to be Chairperson and member on 21st May, 2021

Appointed on 21st May, 2021

Delegation by the Board (cont'd)

Audit Committee

The Audit Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The name of chairperson and members are set out in the attendance record shown below. The chairperson possesses the appropriate professional accounting qualifications and financial management expertise.

The Audit Committee meets at least three times each year and has a separate meeting with the external auditor in the absence of management to discuss any audit issues and any other matters the external auditor may wish to raise.

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 internal control system, 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 auditor and internal auditors. The Audit Committee reports to the Board following each Audit Committee meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware of, identifying any matters in respect of which it considers that action or improvement is needed, and make relevant recommendations.

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 acted in good faith and exercised due care.

During the year 2021, the Audit Committee held three meetings, all of which were in the presence of the external auditor, and one written resolution was passed by all members of the Audit Committee. In addition, the Audit Committee meet the external auditor once in the absence of management to discuss matters the auditor may wish to raise. The summary of works performed by the Audit Committee were as follows:

- reviewed the interim and annual financial results and reports of the Group;
- reviewed the changes in accounting standards and their impacts on the Group's financial statements;
- reviewed reports from the external auditor and agreed with the external auditor's work;
- reviewed the statutory audit plan, audit scope and the non-audit services performed by the external auditor;
- reviewed and recommended for approval by the Board the audit fees payable to the external auditor;
- reviewed the independence and objectivity of the external auditor and make recommendation to the Board, for the approval by shareholders, of the re-appointment of the external auditor and approval of their remuneration;
- reviewed and approved the internal audit plans and internal audit scope, and fee in relation to external internal audit consultant;
- reviewed the reports on internal audit progress, findings and recommendations from the Group Internal Audit and the external internal audit consultant and the responses from the management;

Delegation by the Board (cont'd)

Audit Committee (cont'd)

- reviewed the effectiveness of the Group's internal control system and process covering the controls for financial, operational and compliance;
- reviewed the compliance reports from the Compliance Committee to monitor the Group's compliance with regulatory and statutory requirements;
- reviewed the Terms of Reference of the Audit Committee, Group Internal Audit Manual and the Whistleblowing Policy and relevant operation procedures, recommended changes, if any, for the Board's approval; and
- submitted summary reports on the resolved issues and recommendations to the Board.

The attendance record of each member at the Audit Committee meetings held in 2021 is set out below:

Name of member	Number of meetings attended/held
<i>INEDs:</i>	
SHUEN LEUNG Lai Sheung Loretta (<i>Chairperson</i>)	3/3
CHOW Suk Han Anna*	1/1
LAI KO Wing Yee Rebecca	3/3
AU YANG Chi Chun Evan [#]	2/2

* Ceased to be member on 21st May, 2021

[#] Appointed on 21st May, 2021

Risk Committee

The Risk Committee was set up with specific terms of reference which are available on the websites of the Company and the Stock Exchange. The name of chairperson and members are set out in the attendance record shown below. The Risk Committee meets at least two times each year and reports to the Board on their decisions or recommendations following each meeting.

The Risk Committee is responsible for assisting the Board to oversee the effectiveness of the Group's risk management system and framework, to review and develop risk management policy, manual and guideline, and to advise the Board on the appropriateness and effectiveness of risk controls/mitigation tools and risk management functions. The Risk Committee is also responsible for making recommendations to the Board on the appointment and/or removal of the Chief Risk Officer of the Company and monitor the management's responsiveness to the findings and recommendations of the Chief Risk Officer.

Corporate Governance Report

Delegation by the Board (cont'd)

Risk Committee (cont'd)

During the year 2021, the Risk Committee held three meetings. The summary of works performed by the Risk Committee were as follows:

- reviewed the report/update on risk management by the Chief Risk Officer, including the review of the risk assessment summary of the Company with its risk appetite and tolerance;
- reviewed the effectiveness of the Group's risk management system and framework;
- reviewed the Terms of Reference of the Risk Committee and the Risk Management Policy, recommended changes, if any, for the Board's approval; and
- submitted summary reports to the Board on the resolved issues and recommendations.

The attendance record of each member at the Risk Committee meetings held in 2021 is set out below:

Name of member	Number of meetings attended/held
<i>INEDs:</i>	
LAI KO Wing Yee Rebecca (<i>Chairperson</i>)	3/3
CHOW Suk Han Anna*	1/1
SHUEN LEUNG Lai Sheung Loretta	3/3
AU YANG Chi Chun Evan [#]	2/2
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	3/3
WONG Kok Ho	3/3

* Ceased to be member on 21st May, 2021

[#] Appointed on 21st May, 2021

Auditor's Remuneration

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

Services rendered	Fees paid/payable <i>HK\$'000</i>
Audit services	3,831
Non-audit services*	1,034
Total:	4,865

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

Accountability and Audit

Financial Reporting

Directors are responsible for overseeing the preparation of consolidated financial statements of each financial period which give a true and fair view of the financial position of the Company and its subsidiaries as at the end of the reporting period and of their financial performance and cash flows for that period then ended. In preparing the consolidated financial statements for the year ended 31st December, 2021, 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 and its subsidiaries for the year ended 31st December, 2021 have been audited by the external auditor, Ernst & Young, and reviewed by the Audit Committee. The directors acknowledged their responsibility for preparing the consolidated financial statements which were prepared in accordance with statutory requirements and applicable accounting standards. As at 31st December, 2021, the directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditor with respect to the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2021 are set out in the "Independent Auditor's Report" on pages 65 to 70 of this annual report.

Risk Management and Internal Control

The Board acknowledged the responsibility for maintaining and overseeing an appropriate and effective risk management and internal control systems. These systems will monitor the material aspects of the Group's business and operations and also to safeguard its assets. The risk management and internal control systems of the Group comprises a well-established organisational structure and the internal policies, procedures and guidelines. Such systems are designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss, and to manage and minimize risks of failure in operational systems.

The Board delegates operational duties and responsibilities to the management, which comprises senior executives and operating heads of different business units/departments. The management oversees the daily business operations, identifies potential opportunities and inherent risks so that the identified risks (including ESG risks) can be well-understood, managed and/or mitigated. Appropriate operation policies, standards and procedures are in place in different business units/departments and being exercised accordingly, and their efficiency and effectiveness are monitored by the head of each business unit/department to ensure effective segregation of duties.

The Board has adopted the Risk Management Policy which covers the Group's risk appetite and risk management framework at strategic and operation levels in identifying, measuring, monitoring and controlling risks including credit risk, liquidity risk, interest rate risk, foreign exchange risk, equity price risk, market risk, insurance risk, capital management risk, operational risk, compliance risk, human resources risk, investment risk, IT & cybersecurity risk and material risks related to ESG compliance. The Board has also approved the use of the "Code of Conduct" which stipulates the anti-corruption controls, principles, standards, moral and ethical expectations etc. that the staff or other third parties who interact with the Group must follow. In addition, a whistleblowing policy and system has been adopted by the Board for employees or those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group.

Accountability and Audit (cont'd)

Risk Management and Internal Control (cont'd)

The Board has established the Risk Committee to assist the Board to oversee the effectiveness of the Group's risk management system with the assistance of the Chief Risk Officer who takes up the risk management functions and developed the Risk Register for implementing risk management and internal control practices. The Chief Risk Officer is also responsible for reviewing the risk management status in the Group, to monitor and review the execution of and compliance with the established risk control policies and measures. Regular audits or reviews are conducted to provide assurance that the risk controls are in place in business and operational units of the Group. The Chief Risk Officer presents periodical update to the members of the Risk Committee on the progress of the development of the enterprise risk management system and framework.

The Risk Committee reviewed the effectiveness of the Group's risk management system covering all material risks and the resources allocated to the risk functions at least annually. The Risk Committee reported the review result to the Board following each Risk Committee meeting.

The Board also delegates the responsibility of reviewing the effectiveness of the Group's internal control system to the Audit Committee. The Audit Committee monitors the Group's risk management process and internal control system through the Internal Audit Department ("IAD"). IAD performs ongoing assessments and regular independent reviews of all material controls of the Group, checks for compliance with policies and standards and evaluates 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. IAD and the external consultant presented the internal audit reports to the members of the Audit Committee. The reports were then followed up to ensure corrective actions have been taken in respect of any finding previously identified and they have been properly resolved.

The Compliance Committee acknowledged the responsibilities of formulating, reviewing, approving and monitoring the Group's policies and practices on compliance with legal and regulatory requirements. Two Compliance Officers, one for the Company and the other for Asia Insurance have been appointed to perform the compliance function and implement the compliance management system. Reports are presented to relevant committee regularly on their works done related to the Group's compliance function. The Compliance Committee submits compliance reports to the members of the Audit Committee after each of their meetings.

Using a risk-and-control based audit approach, IAD 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 each financial year are discussed with and submitted to the Audit Committee for review and approved before the end of the preceding year or as and when required.

The Audit Committee reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls during the year and the adequacy of resources, staff qualifications and experience, training programmes and budget of accounting, internal audit and financial reporting functions at least annually. The Audit Committee reported the review result to the Board following each Audit Committee meeting.

The Board reviewed, considered and satisfied that the Group's risk management and internal control systems are effective, adequate and in compliance with the risk management and internal control code provisions of the CG Code.

Accountability and Audit (cont'd)

Risk Management and Internal Control (cont'd)

The Board has adopted the Inside Information Disclosure Policy which sets out the approach, procedures and internal controls for the handling and dissemination of inside information of the Group to ensure the inside information is maintained confidentially or to be disseminated to the public in timely and accurate manner in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Listing Rules and all other applicable rules and regulations. The Inside Information Disclosure Policy will be reviewed, as appropriate, and any amendment to such policy shall be approved by the Board to ensure its continued effectiveness from time to time.

Company Secretary

During the year, Ms. CHIANG Yuet Wah Connie (“Ms. Chiang”), being an employee of the Company, acted as the Company Secretary. The Company Secretary has day-to-day knowledge of the Company’s affairs who should report to the Chairman and/or the President and is responsible for advising the Board through the Chairman and/or the President on governance matters.

Ms. Chiang confirmed that she had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

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 each individual director and senior management is determined based on the market level of similar positions in comparable companies and by reference to factors including individual working positions, qualifications, experience, level of responsibilities as well as the Group’s performance and profitability.

During the year, the level of fees and emoluments paid to directors and senior management depends on their respective contractual terms under employment contracts or letters of appointments, if any, and as recommended by the Remuneration Committee and approved by the Board or shareholders at the Company’s AGM.

Information relating to the remuneration of directors on a named basis for the year ended 31st December, 2021 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, 2021. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is available on the websites of the Company and the Stock Exchange.

The Board has proposed to adopt the amended and restated Bye-laws in substitution for, and to the exclusion of, the existing Bye-laws in the forthcoming AGM. Subject to the approval of the shareholders of the Company, a copy of the consolidated version of the Memorandum of Association and Amended and Restated Bye-laws will be uploaded to the website of the Company and the Stock Exchange.

Dividend Policy

Policy on payment of dividend of the Company is in place setting out the principles and matters that shall be observed and considered when deciding the payment of dividend. Such principles and matters include but not limited to compliance with applicable laws, rules and regulations, the performance and liquidity of the Group, and after prudent and adequate reserve and provision of tax been duly made. The policy shall be reviewed by the Executive Committee periodically and submitted to the Board for approval if amendments are required.

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 may conduct 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, the Remuneration Committee and the Risk Committee (or in their absence, other members of such committees) together with the external auditor are available to answer shareholders' questions at the meeting. The Chairman also advises all other directors to attend the AGM in order to gain and 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 Friday, 21st May, 2021. 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 Friday, 20th May, 2022, the notice of which will be set out in the circular to shareholders to be sent together with this annual report on or about 19th April, 2022.

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 branch 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 branch 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 branch 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 gender, age, cultural and educational background, 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 Board's consideration, rationale and assessment conclusion recommended by the Nomination Committee should be included in the supplementary circular for the consideration of shareholders. If for INED nomination, it should further explain on identification process, independence, sufficient time commitment, contribution in the diversity of the Board.

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 17M 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 2021 and up to the date of this annual report as required by the Listing Rules.

The directors present their report and the audited financial statements for the year ended 31st December, 2021.

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 39 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business Review

A discussion and analysis of the activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business; a description of the principal risks and uncertainties facing the Group; particulars of important events affecting the Group that have occurred since the end of the financial year 2021; an indication of likely future development in the Group's business; an analysis of the Group's performance using financial key performance indicators; a discussion on the Group's environmental policies and performance; the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and an account of the key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided in the "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report", and "Environmental, Social and Governance Report" set out on pages 3 to 52 of this annual report. This discussion forms part of this directors' report.

Results and Dividends

The Group's profit for the year ended 31st December, 2021 and the Group's financial position at that date are set out in the financial statements on pages 71 to 176.

An interim dividend of HK4.0 cents per ordinary share, totalling approximately HK\$37,642,000, was paid on 8th October, 2021.

The directors recommend the payment of a final dividend of HK10.5 cents per ordinary share, totalling approximately HK\$98,623,000 in respect of the year, which will be payable on or about 10th June, 2022 in cash to shareholders on the register of members of the Company on 1st June, 2022. This recommendation has been incorporated into the financial statements as an allocation of the retained profits within the equity section in the Group's statement of financial position. Further details of this accounting treatment are set out in note 10 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 23 to the financial statements.

Equity-linked Agreements

There were no equity-linked agreements entered into by the Group during the year or subsisting at the end of the year.

Report of the Directors

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31st December, 2021, a subsidiary of the Company repurchased a total of 6,882,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$25,875,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the year and after the end of the year. Details of the ordinary shares repurchased on the Stock Exchange during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2021	244,000	3.95	3.80	949
February 2021	3,482,000	4.10	3.80	13,504
March 2021	88,000	3.98	3.98	350
April 2021	156,000	3.95	3.95	616
June 2021	664,000	3.73	3.56	2,425
July 2021	470,000	3.74	3.62	1,745
October 2021	450,000	3.50	3.27	1,555
November 2021	630,000	3.60	3.49	2,239
December 2021	698,000	3.60	3.50	2,492
	<u>6,882,000</u>			<u>25,875</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 year and after the end of the year. As at the date of this report, the number of issued ordinary shares of the Company is 939,268,000.

The purchase of the Company's shares during the year and after the end of the year was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2020 and 2021 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, redeemed or sold any of the Company's listed securities during the year ended 31st December, 2021 and up to the date of this report.

Distributable Reserves

At 31st December, 2021, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$3,162,913,000, of which HK\$98,623,000 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 and restated as appropriate, are summarised below:

Results

	Year ended 31st December,				
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Revenue	<u>1,916,355</u>	<u>1,747,918</u>	<u>1,702,009</u>	<u>1,482,935</u>	<u>1,294,323</u>
Profit for the year	<u>665,281</u>	<u>344,947</u>	<u>407,568</u>	<u>257,294</u>	<u>478,791</u>
Profit for the year attributable to:					
Equity holders of the Company	<u>665,428</u>	<u>337,952</u>	<u>408,965</u>	<u>255,889</u>	<u>477,098</u>
Non-controlling interests	<u>(147)</u>	<u>6,995</u>	<u>(1,397)</u>	<u>1,405</u>	<u>1,693</u>
	<u>665,281</u>	<u>344,947</u>	<u>407,568</u>	<u>257,294</u>	<u>478,791</u>

Assets, liabilities and non-controlling interests

	31st December,				
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Total assets	<u>15,393,609</u>	<u>15,916,026</u>	<u>14,857,973</u>	<u>13,546,785</u>	<u>11,990,953</u>
Total liabilities	<u>(5,013,337)</u>	<u>(4,856,706)</u>	<u>(4,534,793)</u>	<u>(4,118,687)</u>	<u>(3,960,612)</u>
Non-controlling interests	<u>–</u>	<u>(54,881)</u>	<u>(47,329)</u>	<u>(44,568)</u>	<u>(45,689)</u>
	<u>10,380,272</u>	<u>11,004,439</u>	<u>10,275,851</u>	<u>9,383,530</u>	<u>7,984,652</u>

Report of the Directors

Major Customers

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

Directors

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

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

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

TAN Stephen*

WONG Kok Ho*

KAWAUCHI Yuji**

OGURA Satoru**

CHOW Suk Han Anna***

(Retired on 21st May, 2021)

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

SHUEN LEUNG Lai Sheung Loretta***

AU YANG Chi Chun Evan***

(Appointed on 21st May, 2021)

* Executive directors

** Non-executive directors

*** Independent non-executive directors

In accordance with Bye-law 87(2) of the Company's Bye-laws, Mr. CHAN Bernard Charnwut, Mr. KAWAUCHI Yuji, Mr. OGURA Satoru and Mrs. SHUEN LEUNG Lai Sheung Loretta will retire by rotation at the forthcoming annual general meeting (the "2022 AGM") and all of them, being eligible, will offer themselves for re-election except Mrs. SHUEN LEUNG Lai Sheung Loretta who will not offer herself for re-election and will retire as independent non-executive director of the Company with effect from the conclusion of the 2022 AGM.

The Company has received from each independent non-executive director an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company still considers that all of them are independent.

Information regarding Directors' emoluments for the year ended 31st December, 2021 is set out in note 7 to the financial statements.

With effect from 1st January, 2022, the monthly salary of Mr. CHAN Bernard Charnwut, Mr. TAN Stephen and Mr. WONG Kok Ho has been changed from HK\$407,390 to HK\$423,690, from HK\$226,440 to HK\$235,500 and from HK\$175,140 to HK\$192,650 respectively.

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, 2021, 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, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Approximate % of the Company's issued share capital ⁽¹⁾
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
CHAN Yau Hing Robin	–	–	569,999,712 ⁽²⁾	569,999,712	60.64
CHAN Bernard Charnwut	1,912,680	–	8,830,000 ⁽³⁾	10,742,680	1.14
WONG Kok Ho	810,000	430,000	–	1,240,000	0.13

Notes:

- (1) Based on 939,966,000 shares in issue as at 31st December, 2021.
- (2) Dr. CHAN Yau Hing Robin was deemed to be interested in 569,999,712 shares. Out of the 569,999,712 shares, (i) 566,069,712 shares were held through Claremont Capital Holdings Ltd ("Claremont Capital"), (ii) 3,097,000 shares were held through Asia Panich Investment Company (Hong Kong) Limited ("Asia Panich") and (iii) 833,000 shares were held through Man Tong Company Limited ("Man Tong"). More than one-third of the issued share capital of Claremont Capital, Asia Panich and Man Tong are held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Dr. CHAN Yau Hing Robin.
- (3) Mr. CHAN Bernard Charnwut was deemed to be interested in 8,830,000 shares that were held through Robinson Enterprise Holdings Limited which was 38% held by Mr. CHAN Bernard Charnwut and his spouse.

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

Save as disclosed above, as at 31st December, 2021, 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.

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, 2021, 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	Approximate % of the Company's issued share capital ⁽¹⁾
Cosmos Investments Inc.	(2), (3)	569,999,712	60.64
Claremont Capital Holdings Ltd	(2)	566,069,712	60.22
Bangkok Bank Public Company Limited		89,988,236	9.57
Sompo Holdings, Inc.	(4)	91,759,753	9.76
Sompo Japan Insurance Inc.	(4)	91,759,753	9.76
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.59

Notes:

- (1) Based on 939,966,000 shares in issue as at 31st December, 2021.
- (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 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.
- (4) Sompo Japan Insurance Inc. ("SJII") is a wholly-owned subsidiary of Sompo Holdings, Inc. ("SHI") and accordingly, the shares in which SJII is shown as interested are included in the shares in which SHI is shown as interested.

Save as disclosed above, as at 31st December, 2021, 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 Transactions, Arrangements or Contracts

Save as disclosed in note 34(a) to the financial statements, no director nor a connected entity of a director had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during or at the end of the year.

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company and the Company's 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, 2021.

Permitted Indemnity Provision

The Company's Bye-laws provides that all directors or other officers of the Company shall be entitled to be indemnified out of the Company's assets against all losses or liabilities which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

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 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	The People's Insurance Company of China (Hong Kong), Limited	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 (alias: Rabin SOPHONPANICH), G.B.M., G.B.S., LL.D., J.P., aged 89, is the Chairman and an executive director of the Company. Dr. Chan has been working for the Group for over 60 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 awarded the Grand Bauhinia Medal by the Government of the HKSAR in July 2018. Dr. Chan was 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 2013. Dr. Chan is the Life Honorary Chairman of The Chinese General Chamber of Commerce and an adviser 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. 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 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 of Hong Kong Limited, on 5th June, 2019 and 6th June, 2019 respectively. Dr. Chan is the father of Mr. TAN Stephen and Mr. CHAN Bernard Charnwut.

Mr. CHAN Bernard Charnwut (former name: CHAN Chi Sze Bernard), G.B.M., G.B.S., J.P., aged 57, is an executive director and the President of the Company and serves as a member of the remuneration committee, the nomination committee, the compliance committee and the risk committee of the Company. Mr. Chan is also an executive director and the Chairman of Asia Insurance Company, Limited ("Asia Insurance"), a wholly-owned subsidiary of the Company and the Chairman of AFH Charitable Foundation Limited. Mr. Chan has been working for the Group for 32 years. He graduated from Pomona College in California, U.S.A. In addition to directorships in other subsidiaries of the Company, Mr. Chan is an independent non-executive director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited and Cathay Pacific Airways Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan is also a director of Bumrungrad Hospital Public Company Limited which is a company listed in Thailand. 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, the Chairman of both Hong Kong-Thailand Business Council and Hong Kong Palace Museum Limited, and an adviser to Bangkok Bank (China) Company Limited. 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 the Convenor of the Non-official Members of the Executive Council of the HKSAR since 1st July, 2017. Mr. Chan is a member of Hong Kong Monetary Authority Exchange Fund Advisory Committee, a Trustee Emeritus of Pomona College, California U.S.A. and serves as the Chairperson of The Hong Kong Council of Social Service. Mr. Chan is the son of Dr. CHAN Yau Hing Robin and the brother of Mr. TAN Stephen.

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

Executive Directors: (cont'd)

Mr. TAN Stephen, aged 68, has been an executive director of the Company since 30th May, 2006 and has been working for the Group for 35 years. He is a member of the compliance committee of the Company. In addition to directorships in other subsidiaries of the Company, Mr. Tan sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. He is also an independent non-executive director of Pioneer Global Group Limited, China Motor Bus Company, Limited and Keck Seng Investments (Hong Kong) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Tan serves as a Standing Committee Member of The Chinese General Chamber of Commerce, the Vice President of Hong Kong Chiu Chow Chamber of Commerce, the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited, the Manager of Chiu Yang Primary School of Hong Kong and the Supervisor of Chiu Yang Por Yen Primary School. 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 charter member of The Rotary Club of The Peak and a founding member of Opera Hong Kong Limited. Mr. Tan is also a member of the Board of Governor of Hong Kong Sinfonietta Limited and the 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 and the brother of Mr. CHAN Bernard Charnwut.

Mr. WONG Kok Ho, aged 74, has been an executive director of the Company since 2nd May, 2007. Mr. Wong has been appointed as a member of the remuneration committee, the nomination committee and the risk committee of the Company on 1st January, 2020. Mr. Wong is also an executive director of Asia Insurance and a director of several other subsidiaries of the Company. Mr. Wong has served the Group for over 40 years and has extensive experience in the insurance industry. Mr. Wong is a director of Grand Plaza Hotel Corporation, a public company listed on the Philippine Stock Exchange. He sits on the boards of AFH Charitable Foundation Limited, AR Consultant Service (HK) Limited, Professional Liability Underwriting Services Limited, Asia Insurance (Philippines) Corporation, PT Asian International Investindo, APIC Holdings, Inc., Strand Hotels International Limited and The People's Insurance Company of China (Hong Kong), Limited. He has also been appointed as the President of Asia Insurance (Philippines) Corporation. Mr. Wong is an independent non-executive director of Sampo 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 was a member of the insurance subsector of the Election Committee 2018. He had served as the Chairman and a councillor of the Employees Compensation Insurer Insolvency Bureau, the General Insurance Council of the Hong Kong Federation of Insurers (HKFI) and the Council of Motor Insurers' Bureau of Hong Kong. He had also been a member of the General Committee of the Insurance Claims Complaints Bureau, the Governing Committee of the HKFI and the President of the Insurance Institute of Hong Kong.

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

Non-executive Directors:

Mr. KAWAUCHI Yuji, aged 56, has been a non-executive director of the Company since 23rd March, 2018. Mr. Kawauchi is currently the Executive Vice President and Executive Officer, General Manager of Global Business Planning Department of Sompo Holdings, Inc. (a company listed on Japan Stock Exchange) which through its wholly-owned subsidiary, Sompo Japan Insurance Inc. ("Sompo Japan"), currently holds approximately 9.77% shareholding in the Company's issued share capital. Mr. Kawauchi is a Chartered Property and Casualty Underwriter (CPCU). He graduated from Tokyo Metropolitan University, Faculty of Law in 1988 and in the same year he joined The Yasuda Fire and Marine Insurance Company Limited (now known as Sompo Japan). Mr. Kawauchi had served as the President and Managing Director of Sompo Holdings (Asia) Pte. Limited from April 2017 to April 2019. Mr. Kawauchi had been a director of Sompo Insurance (Thailand) Public Company Limited from 15th May, 2017 to 25th April, 2018. He was also an Executive Director of Berjaya Sompo Insurance Berhad (Malaysia) from April 2014 to April 2016. He has also become a Non-Executive Director of Sompo International Holdings Ltd. from 1st January, 2020.

Mr. OGURA Satoru, aged 53, has been a non-executive director of the Company since 25th March, 2020. Mr. Ogura is currently the General Manager of Global Business Department of Aioi Nissay Dowa Insurance Company, Limited ("Aioi Nissay Dowa"). Mr. Ogura graduated from University of Nagoya, Faculty of Law in 1991. He had served as a Risk & Reinsurance Coordinator of Aioi Nissay Dowa Insurance Company of Europe Limited from April 2009 to March 2018 and became the General Manager of Global Business Department since April 2018. Mr. Ogura has more than 7 years' experience of arrangement of intra-group reinsurance programmes and group-wide capital arrangement of European operations. He was one of the leading member of intra Japan-European team for acquisition of Telematics company and establishment of European subsidiaries in the UK, Italy, Russia and Kazakhstan. He also established governance & compliance system in European operation upon harmonisation of multi-regulatory frameworks. Aioi Nissay Dowa currently holds approximately 5.59% of the Company's issued share capital. Mr. Ogura is an Independent Director of Bangkok Insurance Public Company Limited which is a company listed on the Stock Exchange of Thailand. Mr. Ogura is a non-executive director and SOOA (Senior Officer Outside Australia) of Aioi Nissay Dowa Insurance Company Australia Pty Ltd and also a non-executive director of Aioi Nissay Dowa Europe Limited, both companies are 100% owned subsidiary of Aioi Nissay Dowa Insurance Company Limited.

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

Independent Non-executive Directors:

Mrs. LAI KO Wing Yee Rebecca, J.P., aged 63, has been an independent non-executive director of the Company since 3rd December, 2012. Mrs. Lai is the chairperson of both the remuneration committee and the risk 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 Director of Education Initiatives 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. Mrs. Lai was a member of the Council of City University of Hong Kong from 2012-2014 and a member of the Court of the University from 2015-2020.

Ms. LEUNG Lai Sheung (alias: Loretta SHUEN), aged 67, has been an independent non-executive director of the Company since 16th August, 2017. Ms. Leung is the chairperson of the audit committee and a member of the nomination committee, the compliance committee, the remuneration committee and the risk committee of the Company. She is also an independent non-executive director of Asia Insurance, BE Reinsurance Limited, Avo Insurance Company Limited and United Builders Insurance Company Limited. She is a director of Evolut Foundation Limited. Ms. Leung is currently a fellow member of CPA Australia and Hong Kong Institute of Certified Public Accountants. She received her Bachelor of Social Sciences (Hon) degree from the University of Hong Kong and Master degree in Accounting Studies from the University of New England, Australia. Ms. Leung is a former partner of Ernst & Young and has over 20 years of experience in serving clients in a wide range of industries in Hong Kong, China and Asia Pacific region. She had over 15 years of experience in civil services and had served in an investment bank before settling in Ernst & Young. Ms. Leung is a former appointed member of the Council of the Lingnan University (the "University") and served as the Treasurer to the Council of the University, the Chairman of the Finance Committee and the Chairman of the Investment Subcommittee. She is a member of the Accounting Advisory Board, and a member of the Risk and Insurance Management Advisory Board of the University.

Mr. AU YANG Chi Chun Evan, aged 50, has been an independent non-executive director of the Company since 21st May, 2021. Mr. Au Yang is the chairperson of both the nomination committee and the compliance committee, and a member of the audit committee, the remuneration committee and the risk committee of the Company. He is also an independent non-executive director of Asia Insurance. Mr. Au Yang is the Group President of Animoca Brands, a Hong Kong-based multinational blockchain technology and investment company focused on developing the digital property rights ecosystem, including play-to-earn games, non-fungible tokens (NFTs), decentralized finance (DeFi), blockchain marketplaces, infrastructure and more. Mr. Au Yang is also the Chairman of the Board of Civic Exchange, a non-partisan public policy think tank. He also serves on the Board of the Urban Renewal Authority as non-executive director, and Sun Hung Kai & Co. Limited (a company listed on The Stock Exchange of Hong Kong Limited) as independent non-executive director. He is an advisor for Our Hong Kong Foundation. In addition, Mr. Au Yang serves on the Transport Policy Committee of the Chartered Institute of Logistics & Transport, the Development Fund Committee of the Hong Kong Council of Social Service, Advisory Council for Institute at Brown for Environment & Society for Brown University, as well as the Board of Advisors of Hong Kong 2050 is Now. Prior to Animoca Brands, Mr. Au Yang was the Managing Director and Head of GLG International (Gerson Lehrman Group), a technology-enabled expert insight platform, running and growing its business spanning Europe, Middle East, Africa & Asia-Pacific across 15 locations. Before GLG, Mr. Au Yang was the Deputy Managing Director of the Kowloon Motor Bus Co. (1933) Ltd. (KMB) and a Board Director of Transport International Holdings Limited ("Transport International"), the parent company of KMB. Prior to joining Transport International and KMB, Mr. Au Yang was an Associate Partner at McKinsey & Company. Before management consultancy, Mr. Au Yang was at Citigroup's derivatives structuring and marketing unit. Mr. Au Yang obtained his undergraduate degree in Economics and Political Science from Brown University, and his MBA degree from the Kellogg School of Management at Northwestern University.

Report of the Directors

Employees and Remuneration Policy

The total number of employees of the Group was 314 at the end of the reporting period (2020: 299). 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.

Donations

During the year, the Group made charitable donations totalling HK\$16,203,000 (2020: HK\$1,244,000).

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.

Corporate Governance

Details of the Company's corporate governance practices are set out in the Corporate Governance Report in this annual report.

Auditor

The financial statements for the year ended 31st December, 2021 have been audited by Ernst & Young who retire and a resolution for the reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

CHAN Bernard Charnwut

Executive Director & President

Hong Kong, 25th March, 2022



To the shareholders of Asia Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Asia Financial Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 71 to 176, which comprise the consolidated statement of financial position as at 31st December, 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key Audit Matters (cont'd)

Key audit matter

How our audit addressed the key audit matter

Valuation of general insurance claims liabilities

As at 31st December, 2021, the Group had general insurance claims liabilities of reported and incurred but not reported claims for the general insurance business of HK\$2,941 million in aggregate, representing 59% of the Group's total liabilities.

The measurement of general insurance claims liabilities involves significant judgement and it may take a significant period of time before the ultimate cost of the claims can be established with certainty. The primary techniques adopted by management in estimating the cost of the ultimate claims include using the past claims settlement trends to predict the future claims settlement trends combined with actuarial and statistical projection techniques; referencing to benchmarks of companies in similar industry sectors, and assessments by loss adjusters.

Related disclosures are included in notes 2.5, 25 and 35 to the financial statements.

With the involvement of our internal actuarial specialists, the procedures we performed that addressed the key audit matter included, among others:

- Performed walkthroughs to understand the Group's processes and methodologies for calculating the general insurance claims liabilities;
- Tested the design and operating effectiveness of key controls performed by management over the valuation process;
- Evaluated the assumptions used in the valuation of the general insurance claims liabilities, by comparing to historical and market data and industry experience data, considering the features of specific insurance products;
- Assessed the validity of liability adequacy tests by evaluating the assumptions adopted in the context of the Group by comparison to historical and market data and industry experience data, considering the features of the specific insurance products; and
- Assessed the adequacy of the disclosures relating to the insurance risk against the requirements of HKFRS.

Key Audit Matters (cont'd)

Key audit matter

How our audit addressed the key audit matter

Fair value measurement of financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income

As at 31st December, 2021, the Group had investments in various financial instruments, of which HK\$1,678 million and HK\$5,489 million, representing 11% and 36% of the Group's total assets, are stated at fair value and classified as "financial assets at fair value through profit or loss" and "equity investments designated at fair value through other comprehensive income", respectively. Fair value measurement can be a subjective area, especially for financial instruments with model based valuation or with weak liquidity and price discovery. Valuation techniques for financial instruments without active markets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to significantly different estimates of fair value. Specific areas of focus include the valuation of fair value of Level 2 or Level 3 assets where valuation techniques are applied in which observable or unobservable inputs are used, respectively. Significant unobservable inputs include the determination of comparable companies, the use of price multiples and lack of marketability discount.

Related disclosures are included in notes 2.5, 17, 19 and 36 to the financial statements.

The procedures we performed that addressed the key audit matter included, amongst others:

- Performed a walkthrough of the Group's valuation process.
- Tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification, and independent model validation and approval.

With the involvement of our internal valuation specialist, the procedures we performed for areas of higher estimation uncertainty included:

- Evaluated the pricing model methodologies, and key observable and unobservable inputs of selected financial instruments by comparing them with appropriate benchmarks and observable pricing sources;
- Validated the accuracy of arithmetical calculation in the pricing models;
- Evaluated the valuation of selected financial instruments by considering alternative valuation methodologies and assessing sensitivities to key inputs; and
- Assessed the adequacy of the disclosures relating to the fair value of financial instruments against the requirements of HKFRS.

Independent Auditor's Report

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Sui Yan.

Ernst & Young

Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

14th April, 2022

Consolidated Statement of Profit or Loss

Year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	4, 26(a)	1,916,355	1,747,918
Gross premiums	26(a)	1,784,844	1,668,958
Reinsurers' share of gross premiums	26(b)	(649,097)	(632,083)
Net insurance contracts premiums revenue		1,135,747	1,036,875
Gross claims paid	27(a)	(813,693)	(723,229)
Reinsurers' share of gross claims paid	27(b)	362,674	339,447
Gross change in outstanding claims	27(c)	(141,927)	(252,680)
Reinsurers' share of gross change in outstanding claims	27(d)	18,328	126,296
Net claims incurred		(574,618)	(510,166)
Commission income		151,652	138,134
Commission expense		(439,175)	(393,258)
Net commission expense		(287,523)	(255,124)
Management expenses for underwriting business		(103,368)	(117,647)
Underwriting profit		170,238	153,938
Dividend income		300,598	166,270
Realised gain/(loss) on investments		40,694	(64,049)
Unrealised gain on investments		76,958	98,856
Interest income		53,637	77,671
Other income and gains/(losses), net		29,755	(8,228)
		671,880	424,458
Operating expenses		(172,319)	(133,132)
Finance costs	5	(85)	(383)
		499,476	290,943
Share of profits or losses of joint ventures	14	27,661	26,883
Share of profits or losses of associates		176,710	54,595
PROFIT BEFORE TAX	6	703,847	372,421
Income tax expense	9	(38,566)	(27,474)
PROFIT FOR THE YEAR		665,281	344,947

continued/...

Consolidated Statement of Profit or Loss

Year ended 31st December, 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
<hr/>			
Attributable to:			
Equity holders of the Company		665,428	337,952
Non-controlling interests		<u>(147)</u>	<u>6,995</u>
		<u>665,281</u>	<u>344,947</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>11</i>		
Basic and diluted			
– For profit for the year		<u>HK70.7 cents</u>	<u>HK35.4 cents</u>

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR		<u>665,281</u>	<u>344,947</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of joint ventures	14	(11,825)	9,879
Share of other comprehensive income of associates		16,986	32,443
Exchange differences on translation of foreign operations		<u>1,242</u>	<u>(910)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>6,403</u>	<u>41,412</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	17	(1,305,460)	542,491
Income tax effect	30	<u>137,468</u>	<u>(85,939)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(1,167,992)</u>	<u>456,552</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(1,161,589)</u>	<u>497,964</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(496,308)</u>	<u>842,911</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(497,301)	835,359
Non-controlling interests		<u>993</u>	<u>7,552</u>
		<u>(496,308)</u>	<u>842,911</u>

Consolidated Statement of Financial Position

31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Property, plant and equipment	<i>12</i>	188,702	194,232
Investment properties	<i>13</i>	264,100	257,500
Interests in joint ventures	<i>14</i>	637,436	515,444
Interests in associates	<i>15</i>	611,513	427,519
Due from associates	<i>15</i>	255,015	256,140
Held-to-collect debt securities at amortised cost	<i>16</i>	1,126,063	1,042,767
Equity investments designated at fair value through other comprehensive income	<i>17</i>	5,489,020	6,850,964
Pledged deposits	<i>22</i>	295,808	313,357
Loans and advances and other assets	<i>18</i>	165,468	153,702
Financial assets at fair value through profit or loss	<i>19</i>	1,677,659	1,341,716
Insurance receivables	<i>20</i>	215,444	231,385
Reinsurance assets	<i>21</i>	1,593,696	1,531,060
Cash and cash equivalents	<i>22</i>	2,873,685	2,800,240
Total assets		15,393,609	15,916,026

continued/...

Consolidated Statement of Financial Position

31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	<i>23</i>	939,966	946,620
Reserves	<i>24</i>	9,341,683	9,991,849
Proposed final dividend	<i>10</i>	98,623	65,970
		10,380,272	11,004,439
Non-controlling interests		–	54,881
Total equity		10,380,272	11,059,320
Liabilities			
Insurance contracts liabilities	<i>25</i>	4,208,542	3,935,104
Insurance payables	<i>28</i>	199,287	169,375
Due to associates	<i>15</i>	4,222	4,222
Other liabilities	<i>29</i>	328,282	304,552
Tax payable		33,280	69,637
Deferred tax liabilities	<i>30</i>	239,724	373,816
Total liabilities		5,013,337	4,856,706
Total equity and liabilities		15,393,609	15,916,026

CHAN Bernard Charnwut
Executive Director & President

TAN Stephen
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31st December, 2021

	Attributable to equity holders of the Company														Non-controlling interest	Total
	Issued capital	Treasury shares	Share premium account	Share based reserve	Contingency reserve	Fair value reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed final 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	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2020	960,840	(593)	560,531	-	54,603	3,493,600	141,570	(22,783)	2,427	513,240	97,161	4,427,267	47,968	10,275,851	47,329	10,323,180
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	337,952	-	337,952	6,995	344,947
Other comprehensive income for the year:																
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	455,652	-	-	-	-	-	-	-	455,652	900	456,552
Share of other comprehensive income of joint ventures (note 14)	-	-	-	-	-	9,879	-	-	-	-	-	-	-	9,879	-	9,879
Share of other comprehensive income of associates	-	-	-	-	-	(1,002)	-	33,788	-	-	-	-	-	32,786	(343)	32,443
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	11	-	-	-	(921)	-	(910)	-	(910)
Total comprehensive income for the year	-	-	-	-	-	464,529	-	33,799	-	-	-	337,031	-	835,359	7,552	842,911
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	-	-	-	574	-	-	-	-	-	(574)	-	-	-	-
Final 2019 dividend declared	-	-	-	-	-	-	-	-	-	-	-	4	(47,968)	(47,964)	-	(47,964)
Interim 2020 dividend	-	-	-	-	-	-	-	-	-	-	-	(9,493)	-	(9,493)	-	(9,493)
Proposed final 2020 dividend (note 10)	-	-	-	-	-	-	-	-	-	-	-	(65,970)	65,970	-	-	-
Repurchase of shares (note 23)	(14,220)	(1,127)	-	-	-	-	-	-	-	-	-	(36,516)	-	(51,863)	-	(51,863)
Transfer to capital redemption reserve (note 23)	-	-	-	-	-	-	-	-	-	-	14,220	(14,220)	-	-	-	-
Transfer to contingency reserve	-	-	-	-	51,414	-	-	-	-	-	-	(51,414)	-	-	-	-
Share of share based reserve of a joint venture	-	-	-	2,549	-	-	-	-	-	-	-	-	-	2,549	-	2,549
Share of changes in contingency reserve of a joint venture	-	-	-	-	170	-	-	-	-	-	-	(170)	-	-	-	-
At 31st December, 2020	946,620	(1,720)*	560,531*	2,549*	106,187*	3,958,703*	141,570*	11,016*	2,427*	513,240*	111,401*	4,585,945*	65,970	11,004,439	54,881	11,059,320

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Consolidated Statement of Changes in Equity

Year ended 31st December, 2021

	Attributable to equity holders of the Company														Non-controlling interest	Total
	Issued capital	Treasury shares	Share premium account	Share based reserve	Contingency reserve	Fair value reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed final dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 24)	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, 2021	946,620	(1,720)	560,531	2,549	106,187	3,958,703	141,570	11,016	2,427	513,240	111,401	4,585,945	65,970	11,004,439	54,881	11,059,320
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	665,428	-	665,428	(147)	665,281
Other comprehensive income for the year:																
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(1,168,132)	-	-	-	-	-	-	-	(1,168,132)	1,140	(1,167,992)
Share of other comprehensive income of joint ventures (note 14)	-	-	-	-	-	(11,825)	-	-	-	-	-	-	-	(11,825)	-	(11,825)
Share of other comprehensive income of associates	-	-	-	-	-	(1,252)	-	18,238	-	-	-	-	-	16,986	-	16,986
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,242	-	-	-	-	-	1,242	-	1,242
Total comprehensive income for the year	-	-	-	-	-	(1,182,209)	-	19,480	-	-	-	665,428	-	(497,301)	993	(496,308)
Final 2020 dividend declared	-	-	-	-	-	-	-	-	-	-	-	17	(65,970)	(65,953)	-	(65,953)
Interim 2021 dividend	-	-	-	-	-	-	-	-	-	-	-	(37,642)	-	(37,642)	-	(37,642)
Proposed final 2021 dividend (note 10)	-	-	-	-	-	-	-	-	-	-	-	(98,623)	98,623	-	-	-
Repurchase of shares (note 23)	(6,654)	(777)	-	-	-	-	-	-	-	-	-	(18,506)	-	(25,937)	-	(25,937)
Transfer to capital redemption reserve (note 23)	-	-	-	-	-	-	-	-	-	-	6,654	(6,654)	-	-	-	-
Release from contingency reserve	-	-	-	-	(5,036)	-	-	-	-	-	-	5,036	-	-	-	-
Share of share based reserve of a joint venture	-	-	-	2,666	-	-	-	-	-	-	-	-	-	2,666	-	2,666
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	610	610
Share of changes in contingency reserve of a joint venture	-	-	-	-	216	-	-	-	-	-	-	(216)	-	-	-	-
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	-	-	-	(4,651)	-	-	-	-	-	4,651	-	-	-	-
Distribution of equity instruments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(56,484)	(56,484)
At 31st December, 2021	939,966	(2,497)*	560,531*	5,215*	101,367*	2,771,843*	141,570*	30,496*	2,427*	513,240*	118,055*	5,099,436*	98,623	10,380,272	-	10,380,272

* These reserve accounts comprise the consolidated reserves of HK\$9,341,683,000 (2020: HK\$9,991,849,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		703,847	372,421
Adjustments for:			
Interest income	<i>6</i>	(53,637)	(77,671)
Finance costs	<i>5</i>	85	383
Dividend income from investments	<i>6</i>	(300,598)	(166,270)
Gain on changes in ownership interest in a joint venture		–	(5,535)
Gain on deemed disposal of interest in an associate		–	(12,665)
Loss on redemption/call-back of held-to-collect debt securities at amortised cost	<i>6</i>	4,131	–
Depreciation	<i>6</i>	13,402	14,022
Changes in expected credit losses			
– Insurance receivables	<i>6</i>	(2,327)	5,014
– Held-to-collect debt securities at amortised cost	<i>6</i>	(181)	1,237
Changes in fair value of investment properties	<i>6</i>	(6,600)	28,704
Loss on disposal/write-off of items of property, plant and equipment	<i>6</i>	35	288
Share of profits or losses of joint ventures		(27,661)	(26,883)
Share of profits or losses of associates		(176,710)	(54,595)
		153,786	78,450
Increase in loans and advances and other assets		(13,741)	(33,755)
Increase in financial assets at fair value through profit or loss		(335,943)	(193,769)
Decrease in insurance receivables		18,268	14,661
Increase in reinsurance assets		(62,636)	(129,174)
Increase in time deposits with original maturity of over three months		(128,185)	(57,833)
Increase in insurance contracts liabilities		273,438	331,640
Increase/(decrease) in insurance payables		29,912	(37,724)
Increase in other liabilities		24,164	38,011
Cash generated from/(used in) operations		(40,937)	10,507
Hong Kong profits tax paid		(32,530)	(5,350)
Overseas profits tax paid		(7,208)	(7,266)
Overseas withholding tax paid		(29,834)	(15,216)
Net cash flows used in operating activities		(110,509)	(17,325)

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Consolidated Statement of Cash Flows

Year ended 31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash flows used in operating activities		(110,509)	(17,325)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		53,637	77,671
Dividends received from investments		300,598	166,270
Dividends received from joint ventures	<i>14</i>	28,440	26,100
Dividends received from associates	<i>15</i>	9,702	1,014
Purchases of held-to-collect debt securities at amortised cost		(226,944)	(369,711)
Purchases of equity investments designated at fair value through other comprehensive income		–	(330,936)
Proceeds from redemption/call-back of held-to-collect debt securities at amortised cost		139,698	64,294
Proceeds from disposal of equity investment designated at fair value through other comprehensive income		–	2,432
Purchases of items of property, plant and equipment	<i>12</i>	(5,466)	(13,328)
Purchase of an investment property	<i>13</i>	–	(12,093)
Capital contribution to joint ventures		(131,930)	–
Decrease in amount due to an associate		1,125	–
Decrease/(increase) in pledged deposits		17,549	(7,767)
Net cash flows from/(used in) investing activities		186,409	(396,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of a bank borrowing	<i>31</i>	–	(100,000)
Repurchase of shares	<i>23</i>	(25,937)	(51,863)
Dividends paid		(103,595)	(57,457)
Principal portion of lease payments	<i>31</i>	(1,633)	(1,113)
Interest paid	<i>31</i>	(85)	(383)
Capital contribution from non-controlling interests		610	–
Net cash flows used in financing activities		(130,640)	(210,816)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(54,740)	(624,195)
Cash and cash equivalents at beginning of year		2,697,479	3,321,674
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,642,739	2,697,479

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Consolidated Statement of Cash Flows

Year ended 31st December, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	209,544	201,165
Non-pledged time deposits with original maturity of over three months when acquired	22	230,946	102,761
Non-pledged time deposits with original maturity of less than three months when acquired	22	2,433,195	2,496,314
Cash and cash equivalents as stated in the consolidated statement of financial position		2,873,685	2,800,240
Less: Non-pledged time deposits with original maturity of over three months when acquired		(230,946)	(102,761)
Cash and cash equivalents as stated in the consolidated statement of cash flows		2,642,739	2,697,479

1. Corporate and Group 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 HM 11, 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 and investment holding. There were no significant changes in the nature of the Group’s principal activities during the year. Particulars of the Company’s principal subsidiaries are detailed in note 39 to the financial statements.

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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value. 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, 2021. 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).

Notes to Financial Statements

31st December, 2021

2.1 Basis of Preparation (cont'd)

Basis of Consolidation (cont'd)

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 financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies, except where exemption is applicable. 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.

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 above. 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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to 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 HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30th June, 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30th June, 2021 (early adopted)*

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

Notes to Financial Statements

31st December, 2021

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31st December, 2021 in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ²
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2,4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

- 1 Effective for annual periods beginning on or after 1st January, 2022
- 2 Effective for annual periods beginning on or after 1st January, 2023
- 3 No mandatory effective date yet determined but available for adoption
- 4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- 5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1st January, 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1st January, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (cont'd)

Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 resulting from a downstream transaction 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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 17 Insurance Contracts

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

HKFRS 17 is effective for reporting periods beginning on or after 1st January, 2023. Early application is permitted, provided the entity also applies HKFRS 9 on or before the date it first applies HKFRS 17. The Group is assessing the financial impact of the standard and the timing of its application.

Amendments to HKFRS 17 Insurance Contracts

Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1st January, 2023 with earlier application permitted. The Group is assessing the financial impact of the standard and the timing of its application.

Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective for annual reporting periods beginning on or after 1st January, 2023.

Notes to Financial Statements

31st December, 2021

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (cont'd)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1st January, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1st January, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (cont'd)

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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2.4 Summary of Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Insurance premium income

Premiums from direct underwriting and reinsurance business are recorded based on insurance policy contracts inception 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.

Commission income

Commission income is recognised at the point in time when the related policy is effective.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 Summary of Significant Accounting Policies (cont'd)

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 consolidated statement of profit or loss as incurred.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 statement of 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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements

31st December, 2021

2.4 Summary of Significant Accounting Policies (cont'd)

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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 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 is measured at fair value with changes in fair value recognised in profit or loss. 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 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, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income at fair value 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, 2021

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, investment properties and a disposal group classified as held for sale), 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 consolidated 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 consolidated 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 (including right-of-use assets arising from leases under HKFRS 16) are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 consolidated 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.

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.

2.4 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment and Depreciation (cont'd)

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

Right-of-use assets are depreciated over the shorter of useful lives and lease terms.

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 consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales 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 consolidated 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 consolidated statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the asset revaluation reserve.

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31st December, 2021

2.4 Summary of Significant Accounting Policies (cont'd)

Non-current Assets and Disposal Groups Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group's right-of-use assets are included in property, plant and equipment.

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Group as a lessee (cont'd)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other liabilities.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

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2.4 Summary of Significant Accounting Policies (cont'd)

Investments and Other Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and Other Financial Assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as dividend income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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2.4 Summary of Significant Accounting Policies (cont'd)

Investments and Other Financial Assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 consolidated statement of profit or loss.

This category includes financial assets at fair value through profit or loss which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as dividend income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Notes to Financial Statements

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2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of Financial Assets (cont'd)

General approach (cont'd)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Liabilities at Amortised Cost

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other liabilities, amounts due to associates, insurance payables and an 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 consolidated 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 consolidated statement of profit or loss.

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 consolidated 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 an 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.

Notes to Financial Statements

31st December, 2021

2.4 Summary of Significant Accounting Policies (cont'd)

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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 payable after an insured event 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.

2.4 Summary of Significant Accounting Policies (cont'd)

Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at 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 of 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 the 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 these claims 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 the subsequently revised or settled amount are included in the profit or loss account for the financial year in which the revision or settlement is made.

Unearned premiums

The provision for unearned premiums represents that portion of premium received or a 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 services provided under the contract.

Notes to Financial Statements

31st December, 2021

2.4 Summary of Significant Accounting Policies (cont'd)

Insurance Contracts Liabilities (cont'd)

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 4 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 consolidated statement of profit or loss by setting up a provision for premium deficiency.

Insurance Receivables

Insurance receivables 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 consolidated 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.

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 consolidated statement of profit or loss.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Reinsurance (cont'd)

The Group also assumes reinsurance risk in the normal course of business for general and life 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.

Treasury Shares

The Group's own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 consolidated statement 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 consolidated statement of profit or loss.

Notes to Financial Statements

31st December, 2021

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 profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities 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, and 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, and 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.

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.

2.4 Summary of Significant Accounting Policies (cont'd)

Income Tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 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 consolidated 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 the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 Hong Kong dollars 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.

Notes to Financial Statements

31st December, 2021

2.4 Summary of Significant Accounting Policies (cont'd)

Foreign Currencies (cont'd)

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 consolidated statement of profit or loss.

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 exchange rates that approximate to those prevailing at the dates of the transactions.

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 consolidated 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.

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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 assumptions 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 general insurance contracts claims 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\$2,940,746,000 (2020: HK\$2,792,759,000) (note 25(b)).

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. No deferred tax asset relating to tax losses was recognised at 31st December, 2021 (2020: Nil). The amount of unrecognised tax losses at 31st December, 2021 was HK\$292,550,000 (2020: HK\$264,671,000). Further details are contained in note 30 to the financial statements.

Fair value measurement of unlisted financial instruments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and business size differences. The Group classifies the fair value of these investments as Level 3. Further details are contained in notes 17, 19 and 36 to the financial statements.

Notes to Financial Statements

31st December, 2021

2.5 Significant Accounting Judgements and Estimates (cont'd)

Estimation Uncertainty (cont'd)

Provision for expected credit losses on debt instruments and insurance receivables

The Group uses the general approach to calculate ECLs for debt instruments at amortised cost by considering published credit ratings and the probability of default of comparable securities with published credit ratings. In the situation where credit ratings are not published or no comparable securities with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The Group uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's debt instruments and insurance receivables is disclosed in notes 16 and 20 to the financial statements, respectively.

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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from existing operations.

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

31st December, 2021

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, 2021 and 2020:

	Insurance		Corporate		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue (note 4):								
External customers	1,916,355	1,747,918	-	-	-	-	1,916,355	1,747,918
Other revenue, income and gains, net	153,763	109,687	347,879	160,833	-	-	501,642	270,520
Intersegment	7,354	5,911	-	-	(7,354)	(5,911)	-	-
Total	<u>2,077,472</u>	<u>1,863,516</u>	<u>347,879</u>	<u>160,833</u>	<u>(7,354)</u>	<u>(5,911)</u>	<u>2,417,997</u>	<u>2,018,438</u>
Segment results	<u>237,193</u>	<u>184,914</u>	<u>262,283</u>	<u>106,029</u>	-	-	<u>499,476</u>	290,943
Share of profits or losses of:								
Joint ventures	(5,406)	(6,313)	33,067	33,196	-	-	27,661	26,883
Associates	3,764	16,891	172,946	37,704	-	-	176,710	54,595
Profit before tax							703,847	372,421
Income tax expense	(7,188)	(6,037)	(31,378)	(21,437)	-	-	(38,566)	(27,474)
Profit for the year							<u>665,281</u>	<u>344,947</u>

Notes to Financial Statements

31st December, 2021

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, 2021 and 2020: (cont'd)

	Insurance		Corporate		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	7,486,855	7,359,635	6,657,805	7,613,428	14,144,660	14,973,063
Interests in joint ventures	523,020	409,855	114,416	105,589	637,436	515,444
Interests in associates	50,136	49,607	561,377	377,912	611,513	427,519
Total assets	<u>8,060,011</u>	<u>7,819,097</u>	<u>7,333,598</u>	<u>8,096,929</u>	<u>15,393,609</u>	<u>15,916,026</u>
Segment liabilities	<u>4,462,259</u>	<u>4,189,996</u>	<u>551,078</u>	<u>666,710</u>	<u>5,013,337</u>	<u>4,856,706</u>
Other segment information:						
Depreciation charges	10,576	11,391	2,826	2,631	13,402	14,022
Loss on disposal/write-off of items of property, plant and equipment	28	288	7	-	35	288
Loss/(gain) on change in fair value of investment properties	400	2,704	(7,000)	26,000	(6,600)	28,704
Capital expenditure	<u>4,693</u>	<u>14,494</u>	<u>3,214</u>	<u>1,477</u>	<u>7,907</u>	<u>15,971</u>

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 represents gross premiums net of discounts, from the direct and reinsurance businesses underwritten during the year.

5. Finance Costs

	2021 HK\$'000	2020 HK\$'000
Interest on a bank loan	-	304
Interest on lease liabilities	<u>85</u>	<u>79</u>
	<u>85</u>	<u>383</u>

31st December, 2021

6. Profit Before Tax

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

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		(3,831)	(3,757)
Depreciation	12	(13,402)	(14,022)
Employee benefit expense (including directors' remuneration, note 7):			
Wages and salaries		(188,061)	(154,854)
Pension scheme contributions		(5,924)	(6,784)
Less: Forfeited contributions		174	50
Net pension scheme contributions		(5,750)	(6,734)
Total employee benefit expense		(193,811)	(161,588)
Expenses relating short-term leases and leases of low-value assets		(180)	(715)
Realised gain/(loss) on:			
– disposal of financial assets at fair value through profit or loss, net		44,825	(82,249)
– redemption/call-back of held-to-collect debt securities at amortised cost		(4,131)	–
– gain on changes in ownership interest in a joint venture		–	5,535
– gain on deemed disposal of interest in an associate		–	12,665
Total realised gain/(loss) on investments		40,694	(64,049)
Unrealised gain on financial assets at fair value through profit or loss, net		76,958	98,856
Changes in expected credit losses for:			
– Insurance receivables	20	2,327	(5,014)
– Held-to-collect debt securities at amortised cost	16	181	(1,237)
Interest income		53,637	77,671
Loss on disposal/write-off of items of property, plant and equipment*		(35)	(288)
Gross rental income*		7,032	7,132
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		(209)	(366)
Change in fair value of investment properties*	13	6,600	(28,704)
Subsidies from Government*		932	6,602
Foreign exchange gain, net*		9,934	1,392
Dividend income from:			
– Listed investments		60,118	52,364
– Unlisted investments		240,480	113,906
Total dividend income		300,598	166,270

* These amounts were included in "Other income and gains/(losses), net" in the consolidated statement of profit or loss.

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7. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2021	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	90	1,440	3,400	72	5,002
CHAN Bernard Charnwut	120	5,296	2,050	244	7,710
TAN Stephen	70	2,944	2,300	136	5,450
WONG Kok Ho	120	2,277	350	105	2,852
	<u>400</u>	<u>11,957</u>	<u>8,100</u>	<u>557</u>	<u>21,014</u>
Non-executive directors:					
KAWAUCHI Yuji ¹	70	-	-	-	70
OGURA Satoru ^{2,4}	70	-	-	-	70
	<u>140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>
Independent non-executive directors:					
CHOW Suk Han Anna ⁵	112	-	-	-	112
LAI KO Wing Yee Rebecca	290	-	-	-	290
SHUEN LEUNG Lai Sheung Loretta	280	-	-	-	280
AU YANG Chi Chun Evan ⁶	177	-	-	-	177
	<u>859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859</u>
	<u>1,399</u>	<u>11,957</u>	<u>8,100</u>	<u>557</u>	<u>22,013</u>

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7. Directors' Remuneration (cont'd)

2020	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:					
CHAN Yau Hing Robin	94	1,440	650	72	2,256
CHAN Bernard Charnwut	120	5,192	1,030	240	6,582
TAN Stephen	70	2,886	1,300	133	4,389
WONG Kok Ho	120	2,277	200	105	2,702
	<u>404</u>	<u>11,795</u>	<u>3,180</u>	<u>550</u>	<u>15,929</u>
Non-executive directors:					
KAWAUCHI Yuji ¹	70	–	–	–	70
IDE Kentaro ^{2,3}	16	–	–	–	16
OGURA Satoru ^{2,4}	54	–	–	–	54
	<u>140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>140</u>
Independent non-executive directors:					
CHOW Suk Han Anna	290	–	–	–	290
LAI KO Wing Yee Rebecca	290	–	–	–	290
SHUEN LEUNG Lai Sheung Loretta	280	–	–	–	280
	<u>860</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>860</u>
	<u>1,404</u>	<u>11,795</u>	<u>3,180</u>	<u>550</u>	<u>16,929</u>

¹ Mr. KAWAUCHI Yuji was nominated as director by Sompo Japan Insurance Inc. ("Sompo"). He is entitled to a director's fee of HK\$70,000 per annum provided that his director's fee be payable in proportion to the period of his service in the event the duration of his directorship is for an incomplete year. As per Sompo's instruction, the director's fee of Mr. Kawauchi for the year ended 31st December, 2021 and 2020, was paid directly to "Sompo Japan Insurance Inc – HK Rep Office".

² Both of Mr. IDE Kentaro (resigned on 25th March, 2020) and Mr. OGURA Satoru (appointed on 25th March, 2020) were nominated as director by Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). Each of them is entitled to a director's fee of HK\$70,000 per annum provided that his director's fee be payable in proportion to the period of his service in the event that the duration of his directorship is for an incomplete year. As per Aioi Insurance's instruction, the director's fee of each of these directors for the year ended 31st December, 2021 and 2020, was paid directly to Aioi Insurance.

³ Resigned during the year ended 31st December, 2020.

⁴ Appointed during the year ended 31st December, 2020.

⁵ Retired during the year ended 31st December, 2021.

⁶ Appointed during the year ended 31st December, 2021.

Notes to Financial Statements

31st December, 2021

8. Five Highest Paid Employees

The five highest paid employees during the year included three (2020: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries, commission, allowances and benefits in kind	7,225	9,288
Discretionary bonuses	2,800	2,450
Pension scheme contributions	322	418
	<u>10,347</u>	<u>12,156</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	1	1
	<u>2</u>	<u>3</u>

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	17,050	16,985
Over provision in prior years	(19,562)	(19,250)
Current – Elsewhere		
Charge for the year	38,220	23,818
Over provision in prior years	(518)	(6)
Deferred (<i>note 30</i>)	3,376	5,927
Total tax charge for the year	<u>38,566</u>	<u>27,474</u>

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:

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9. Income Tax (cont'd)

2021

	Hong Kong HK\$'000	Macau HK\$'000	Total HK\$'000
Profit before tax	635,101	68,746	703,847
Tax at the statutory tax rates (Hong Kong: 16.5%; Macau: 12.0%)	104,792	8,233	113,025
Share of profits or losses attributable to joint ventures and associates	(33,721)	–	(33,721)
Adjustments in respect of current tax of previous periods	(19,552)	(518)	(20,070)
Income not subject to tax	(66,586)	–	(66,586)
Expenses not deductible for tax	11,793	102	11,895
Tax losses not recognised	4,600	–	4,600
Foreign withholding tax	29,423	–	29,423
Tax charge at the Group's effective rate	30,749	7,817	38,566
Effective tax rate	4.8%	11.4%	5.5%

2020

	Hong Kong HK\$'000	Macau & Taiwan HK\$'000	Total HK\$'000
Profit before tax	303,675	68,746	372,421
Tax at the statutory tax rates (Hong Kong: 16.5%; Macau: 12.0%)	50,106	7,929	58,035
Share of profits or losses attributable to joint ventures and associates	(13,443)	–	(13,443)
Adjustments in respect of current tax of previous periods	(18,619)	(5)	(18,624)
Income not subject to tax	(33,368)	–	(33,368)
Expenses not deductible for tax	18,130	–	18,130
Tax losses from previous periods utilised	(3,823)	–	(3,823)
Temporary difference recognised	5,351	–	5,351
Foreign withholding tax	15,216	–	15,216
Tax charge at the Group's effective rate	19,550	7,924	27,474
Effective tax rate	6.4%	11.5%	7.4%

The share of tax attributable to joint ventures amounting to HK\$9,595,000 (2020: HK\$10,414,000) is included in "Share of profits or losses of joint ventures" in 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's Republic of China amounting to HK\$93,549,000 (2020: HK\$38,599,000) and HK\$9,481,000 (2020: HK\$2,182,000), respectively, are included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

Notes to Financial Statements

31st December, 2021

10. Dividends

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim – HK4.0 cents (2020: HK1.0 cent) per ordinary share	37,642	9,493
Proposed final – HK10.5 cents (2020: HK7.0 cents) per ordinary share	98,623	65,970
	136,265	75,463

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 equity holders of the Company in the statement of financial position.

11. 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\$665,428,000 (2020: HK\$337,952,000) and the weighted average number of ordinary shares of 941,843,000 (2020: 954,031,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2021 and 2020.

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12. Property, Plant and Equipment

31st December, 2021

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yachts and motor vehicles <i>HK\$'000</i>	Right-of- use assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	260,934	91,385	5,229	357,548
Additions	–	5,466	2,441	7,907
Disposals/write-off	–	(1,281)	(584)	(1,865)
At 31st December, 2021	<u>260,934</u>	<u>95,570</u>	<u>7,086</u>	<u>363,590</u>
Accumulated depreciation and impairment:				
At beginning of year	90,511	71,039	1,766	163,316
Charge for the year	5,158	6,613	1,631	13,402
Disposals/write-off	–	(1,246)	(584)	(1,830)
At 31st December, 2021	<u>95,669</u>	<u>76,406</u>	<u>2,813</u>	<u>174,888</u>
Net book value:				
At 31st December, 2021	<u>165,265</u>	<u>19,164</u>	<u>4,273</u>	<u>188,702</u>
At 31st December, 2020	<u>170,423</u>	<u>20,346</u>	<u>3,463</u>	<u>194,232</u>

Notes to Financial Statements

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

31st December, 2020

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment, yachts and motor vehicles <i>HK\$'000</i>	Right-of- use assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	249,745	81,458	2,586	333,789
Additions	–	13,328	2,643	15,971
Disposals/write-off	–	(3,401)	–	(3,401)
Transfer from investment property	11,189	–	–	11,189
At 31st December, 2020	<u>260,934</u>	<u>91,385</u>	<u>5,229</u>	<u>357,548</u>
Accumulated depreciation and impairment:				
At beginning of year	85,353	66,410	644	152,407
Charge for the year	5,158	7,742	1,122	14,022
Disposals/write-off	–	(3,113)	–	(3,113)
At 31st December, 2020	<u>90,511</u>	<u>71,039</u>	<u>1,766</u>	<u>163,316</u>
Net book value:				
At 31st December, 2020	<u>170,423</u>	<u>20,346</u>	<u>3,463</u>	<u>194,232</u>
At 31st December, 2019	<u>164,392</u>	<u>15,048</u>	<u>1,942</u>	<u>181,382</u>

31st December, 2021

13. Investment Properties

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1st January	257,500	285,300
Additions	–	12,093
Change in fair value (<i>note 6</i>)	6,600	(28,704)
Transfer to property, plant and equipment (<i>note 12</i>)	–	(11,189)
Carrying amount at 31st December	264,100	257,500

The Group's investment properties were revalued at 31st December, 2021 based on valuations performed by Memfus Wong Surveyors Limited and AA Property Services Limited, independent firms of professionally qualified valuers, at HK\$230,000,000 (2020: HK\$223,000,000) and HK\$34,100,000 (2020: HK\$34,500,000), respectively. The Group decides to appoint which external valuer to be responsible for the external valuation of the Group's properties based on selection criteria including market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuers on the valuation assumptions and valuation results annually when the valuation is performed for financial reporting. The investment properties are leased to third parties under operating leases.

As at 31st December, 2021 and 2020, the fair value measurement of the Group's investment properties was categorised in Level 3 of the fair value hierarchy (i.e., fair value measurement using significant unobservable inputs).

During the year ended 31st December, 2021, there were no transfers into or out of Level 3.

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13. Investment Properties (cont'd)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties in Hong Kong HK\$'000	Commercial properties in Macau HK\$'000	Total HK\$'000
Carrying amount at 1st January, 2020	266,800	18,500	285,300
Addition	–	12,093	12,093
Change in fair value of investment properties	(26,600)	(2,104)	(28,704)
Transfer to property, plant and equipment	–	(11,189)	(11,189)
Carrying amount at 31st December, 2020 and 1st January, 2021	240,200	17,300	257,500
Change in fair value of investment properties	6,700	(100)	6,600
Carrying amount at 31st December, 2021	246,900	17,200	264,100

Below is a summary of the valuation techniques used and the key inputs to the valuation inputs of the investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2021	2020
Commercial properties in Macau	Income capitalisation approach	Monthly rent per square foot	HK\$22	HK\$22 to HK\$30
		Capitalisation rate	2.5% to 2.7%	2.6% to 3.3%
Commercial properties in Hong Kong	Direct comparison plus term and reversion approach	Unit rate per square foot	HK\$13,000 to HK\$26,460	HK\$13,000 to HK\$27,000

A significant increase/(decrease) in the monthly rent and unit rate per square foot in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant (decrease)/increase in the fair value of the investment properties.

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14. Interests in Joint Ventures

	2021 HK\$'000	2020 HK\$'000
Share of net assets	<u>637,436</u>	<u>515,444</u>

Particulars of the joint ventures of the Group as at 31st December, 2021 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
BC Reinsurance Limited	Corporate	Hong Kong	21	1 out of 10 [#]	Reinsurance underwriting
Bumrungrad International Limited	Corporate	Thailand	19.5	1 out of 5 [#]	Provision of health care services
Hong Kong Life Insurance Limited	Corporate	Hong Kong	16.67	1 out of 8 [#]	Life insurance
Avo Insurance Company Limited	Corporate	Hong Kong	49.3	3 out of 8 [#]	Insurance
Avo Tech Limited	Corporate	Hong Kong	25	3 out of 7 [#]	Insurance Technology

Note:

[#] 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\$28,440,000 (2020: HK\$26,100,000) from the joint ventures.

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

	2021 HK\$'000	2020 HK\$'000
Share of the joint ventures' profit for the year	27,661	26,883
Share of the joint ventures' other comprehensive income	(11,825)	9,879
Share of the joint ventures' total comprehensive income	15,836	36,762
Aggregate carrying amount of the Group's interests in the joint ventures	<u>637,436</u>	<u>515,444</u>

Notes to Financial Statements

31st December, 2021

14. Interests in Joint Ventures (cont'd)

The Group applied the temporary exemption from HKFRS 9 as permitted by the amendment to HKFRS 4 when accounting for its interests in certain joint ventures. The joint ventures concluded that it qualified for the temporary exemption from HKFRS 9 because its activities are predominantly connected with insurance. As at 31st December, 2021, the joint ventures' percentage of its gross liabilities connected with insurance represented 100% of its total liabilities. Since 31st December, 2021, there has been no change in the activities of the joint ventures that requires reassessment of the use of the temporary exemption. The following disclosure is provided to respond to the HKFRS 4 amendment requirement:

For the following presentation, these joint ventures' financial assets are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with HKFRS 9 and are not held for trading or managed on a fair value basis, which consisted of cash and cash equivalents, receivables, loans and deposits and debt securities; and
- financial assets other than those specified above, which consisted of equity securities and debt securities.

The following tables show the fair values as at 31st December, 2021 and 2020 and the change in fair value of these two groups of financial assets for the years ended 31st December, 2021 and 2020 for these joint ventures:

	Fair value <i>HK\$'000</i>	Fair value change <i>HK\$'000</i>
As at 31st December, 2021		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	2,183,544	304,141
Others	642,373	309,011
As at 31st December, 2020		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	1,672,765	274,403
Others	1,314,861	360,071

31st December, 2021

14. Interests in Joint Ventures (cont'd)

The following table shows the carrying amount of the SPPI financial assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with HKAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
AAA	–	–
AA	42,392	28,048
A	851,779	449,616
BBB	1,054,980	930,171
BB	–	–
Not rated	168,034	147,465
	2,117,185	1,555,300

As at 31st December, 2021, the fair value and carrying amount of financial assets that do not have low credit risk were HK\$165,046,000 and HK\$168,034,000 (2020: HK\$146,894,000 and HK\$147,465,000), respectively.

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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31st December, 2021

15. Interests in Associates

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Share of net assets		<u>611,513</u>	<u>427,519</u>
Due from associates	<i>(i)</i>	<u>255,015</u>	<u>256,140</u>
Due to associates	<i>(ii)</i>	<u>(4,222)</u>	<u>(4,222)</u>

Notes:

- (i) The amounts due from associates are unsecured, interest-free and repayable on demand, except for an amount due from an associate of HK\$168,390,000 (2020: HK\$168,390,000), which has no fixed terms of repayment and, in the opinion of the directors, is unlikely to be repaid in the foreseeable future and is considered as part of the Group's investment in the associate.
- (ii) The amounts due to associates are classified as financial liabilities at amortised cost, and are unsecured, interest-free and repayable on demand.

Particulars of the associates of the Group as at 31st December, 2021, 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/registered share 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
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

31st December, 2021

15. Interests in Associates (cont'd)

Particulars of the associates of the Group as at 31st December, 2021, which are all corporate entities, are as follows:
(cont'd)

Name	Place of incorporation/ establishment and operation	Percentage of equity indirectly held by the Company	Issued ordinary/registered share capital	Principal activities
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	Singapore	20	US\$16,849,422	Investment holding
Bangkok Insurance (Lao) Company Limited	Lao	23.5	LAK16,000,000,000	Insurance
Glory Standard Limited	Hong Kong	45	HK\$10,000	Property investment

The Group received dividend income amounting to HK\$9,702,000 (2020: HK\$1,014,000) from the associates during the year.

Notes to Financial Statements

31st December, 2021

15. Interests in Associates (cont'd)

Key Apex Limited, which is considered a material associate of the Group, is a strategic partner of the Group, which directly and indirectly held 100% of Excellent Star Development Limited and 上海盤谷房地產有限公司 respectively (collectively known as “Key Apex Group”), primarily engaged in property development in The People’s Republic of China, and is accounted for using the equity method.

The following table illustrates the summarised consolidated financial information in respect of Key Apex Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets, excluding goodwill	3,995,585	4,020,247
Liabilities	(1,998,791)	(2,685,539)
Net assets, excluding goodwill	1,996,794	1,334,708
Reconciliation to the Group’s interest in the associate:		
Proportion of the Group’s ownership	27.5%	27.5%
Group’s share of net assets of the associate	549,118	367,045
Carrying amount of the investment	549,118	367,045
Revenue	2,334,863	702,421
Dividend distributed	(28,068)	–
Profit for the year	624,116	150,585
Translation difference	66,040	125,342
Total comprehensive income for the year	690,156	275,927

31st December, 2021

15. Interests in Associates (cont'd)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Share of the associates' profit or loss for the year	5,079	19,496
Share of the associates' other comprehensive income	(1,175)	(2,026)
Share of the associates' total comprehensive income	3,904	17,470
Aggregate carrying amount of the Group's interests in the associates	62,395	60,474

The Group applied the temporary exemption from HKFRS 9 as permitted by the amendment to HKFRS 4 when accounting for its interests in an associate. The associate concluded that it qualified for the temporary exemption from HKFRS 9 because its activities are predominantly connected with insurance. As at 31st December, 2021, the associate's percentage of its gross liabilities connected with insurance represented 68% of its total liabilities. Since 31st December, 2021, there has been no change in the activities of the associate that requires reassessment of the use of the temporary exemption. The following disclosure is provided to respond to the HKFRS 4 amendment requirement:

For the following presentation, these associates' financial assets are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with HKFRS 9 and are not held for trading or managed on a fair value basis, which consisted of cash and cash equivalents, receivables, loans and deposits and debt securities; and
- financial assets other than those specified above, which consisted of equity securities and debt securities.

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15. Interests in Associates (cont'd)

The following table shows the fair values as at 31st December, 2021 and 2020 and change in fair value of these two groups of financial assets for the years ended 31st December, 2021 and 2020 for these associates:

	Fair value HK\$'000	Fair value change HK\$'000
As at 31st December, 2021		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	29,480	N/A
Others	-	N/A
	<u> </u>	<u> </u>
 As at 31st December, 2020		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	27,743	N/A
Others	-	N/A
	<u> </u>	<u> </u>

The following table shows the carrying amount of the SPPI financial assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with HKAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

	2021 HK\$'000	2020 HK\$'000
A	-	-
BBB	-	-
Not rated	29,480	27,743
	<u> </u>	<u> </u>
	<u>29,480</u>	<u>27,743</u>

As at 31st December, 2021, the fair value and carrying amount of financial assets that do not have low credit risk was HK\$29,480,000 (2020: HK\$27,743,000).

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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16. Held-to-Collect Debt Securities at Amortised Cost

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed debt securities in Hong Kong, at amortised cost	692,093	611,533
Listed debt securities outside Hong Kong, at amortised cost	278,937	274,854
Unlisted debt securities, at amortised cost	156,089	157,617
	1,127,119	1,044,004
Less: Impairment allowance	(1,056)	(1,237)
Held-to-collect debt securities at amortised cost	1,126,063	1,042,767

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.

An impairment analysis is performed at each reporting date on held-to-collect debt securities at amortised cost by considering published credit ratings and the probability of default of comparable securities with published credit ratings. In the situation where credit ratings are not published or no comparable securities with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The held-to-collect debt securities at amortised cost, net of impairment allowance, analysed by issuer as at the end of the reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Public sector entities	46,400	–
Banks and other financial institutions	773,798	764,460
Corporate entities	305,865	278,307
	1,126,063	1,042,767

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16. Held-to-Collect Debt Securities at Amortised Cost (cont'd)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
With a residual maturity of:		
Three months or less	99,472	87,062
One year or less but over three months	7,778	38,977
Five years or less but over one year	620,512	436,353
Over five years	398,301	480,375
	1,126,063	1,042,767

As at 31st December, 2021, listed debt securities of the Group amounting to HK\$126,670,000 (2020: HK\$119,030,000) were pledged in favour of a cedant of certain pecuniary loss reinsurance contracts for the Group's performance of its obligations under those reinsurance contracts.

The table below shows the credit quality and the maximum exposure to credit risk and the year-end stage classification. The amounts presented are gross of impairment allowance.

2021

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
AAA	52,545	–	–	52,545
AA+ to AA-	107,695	–	–	107,695
A+ to A-	390,000	–	–	390,000
Below A-	500,922	–	–	500,922
Not rated	75,957	–	–	75,957
	1,127,119	–	–	1,127,119

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16. Held-to-Collect Debt Securities at Amortised Cost (cont'd)

2020

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
AAA	52,387	–	–	52,387
AA+ to AA-	90,230	–	–	90,230
A+ to A-	273,930	–	–	273,930
Below A-	550,500	–	–	550,500
Not rated	76,957	–	–	76,957
	<u>1,044,004</u>	<u>–</u>	<u>–</u>	<u>1,044,004</u>

The movements in the loss allowance for impairment of held-to-collect debt investments measured at amortised cost are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	1,237	–
Impairment loss/(write back of impairment losses) (note 6)	(181)	1,237
At end of year	<u>1,056</u>	<u>1,237</u>

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17. Equity Investments Designated at Fair Value through Other Comprehensive Income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity investments designated at fair value through other comprehensive income		
Listed equity investments outside Hong Kong, at fair value		
Bangkok Bank Public Company Limited	538,235	582,971
Bumrungrad Hospital Public Company Limited	1,098,711	1,029,815
	<u>1,636,946</u>	<u>1,612,786</u>
Unlisted equity investments, at fair value		
PICC Life Insurance Company Limited	3,120,000	4,320,000
BBL Asset Management Company Limited	303,000	442,000
The People's Insurance Company of China (Hong Kong), Limited	80,679	181,455
PT Asian International Investindo	213,865	152,029
BE Reinsurance Limited	53,682	55,075
Others	80,848	87,619
	<u>3,852,074</u>	<u>5,238,178</u>
	<u><u>5,489,020</u></u>	<u><u>6,850,964</u></u>

The above equity investments were irrevocably designated at fair value through other comprehensive income at initial recognition as the Group considers these investments to be strategic in nature.

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 has been estimated using market-based valuation techniques.

During the year ended 31st December, 2021, the gross loss before tax impact in respect of the Group's equity investments designated at fair value through other comprehensive income recognised in other comprehensive income amounted to HK\$1,305,460,000 (2020: gross gain of HK\$542,491,000) and the Group received dividends in the amounts of HK\$16,172,000 (2020: HK\$22,656,000), HK\$25,963,000 (2020: HK\$17,901,000), HK\$186,503,000 (2020: HK\$73,357,000), HK\$35,819,000 (2020: HK\$34,669,000), HK\$8,287,000 (2020: Nil) and HK\$3,000,000 (2020: Nil) from Bangkok Bank Public Company Limited, Bumrungrad Hospital Public Company Limited, PICC Life Insurance Company Limited, BBL Asset Management Company Limited, PT Asian International Investindo and BE Reinsurance Limited, respectively.

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18. Loans and Advances and Other Assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans and advances	5,677	8,553
Accrued interest and other assets	159,791	143,249
Tax recoverable	–	1,900
Gross loans and advances and other assets	165,468	153,702

The Group's accrued interest and other assets were current in nature as at 31st December, 2021 and 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Repayable on demand	–	–
With a residual maturity of:		
Three months or less	324	310
One year or less but over three months	982	939
Five years or less but over one year	3,988	5,251
Over five years	383	2,053
	5,677	8,553

Where applicable, an impairment analysis is performed on other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected credit losses associated with other receivables were minimal in view of the fact that these balances are not yet past due.

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19. Financial Assets at Fair Value through Profit or Loss

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Debt securities:		
– listed in Hong Kong, at fair value	15,033	40,853
– listed outside Hong Kong, at fair value	37,648	37,981
	<u>52,681</u>	<u>78,834</u>
Equity securities at fair value:		
– listed in Hong Kong	295,245	216,473
– listed outside Hong Kong	552,107	440,141
	<u>847,352</u>	<u>656,614</u>
Investment funds:		
– listed outside Hong Kong, at fair value	268,699	249,305
– unlisted, at quoted price	508,927	356,963
	<u>777,626</u>	<u>606,268</u>
Total	<u><u>1,677,659</u></u>	<u><u>1,341,716</u></u>

The fair values of the listed and unlisted financial assets at fair value through profit or loss are based on quoted market prices and quoted prices from brokers and fund managers, respectively.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Public sector entities	15,506	2,731
Banks and other financial institutions	250,530	87,765
Corporate entities	1,411,623	1,251,220
	<u>1,677,659</u>	<u>1,341,716</u>

The above securities and investment funds at 31st December, 2021 and 2020 were classified as financial assets at fair value through profit or loss as they were held for trading.

31st December, 2021

20. Insurance Receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amounts due in respect of:		
Direct underwriting	110,542	99,795
Reinsurance accepted	113,166	142,181
	223,708	241,976
Less: Impairment allowance	(8,264)	(10,591)
	215,444	231,385

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 12 months from the end of the reporting period.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Three months or less	193,996	195,413
Six months or less but over three months	24,156	37,406
One year or less but over six months	4,787	8,807
Over one year	769	350
	223,708	241,976
Less: Impairment allowance	(8,264)	(10,591)
	215,444	231,385

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20. Insurance Receivables (cont'd)

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

	2021 HK\$'000	2020 HK\$'000
At beginning of year	10,591	5,577
Impairment losses/(write back of impairment loss) (note 6)	(2,327)	5,014
	8,264	10,591

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, insurance receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's insurance receivables using a provision matrix:

As at 31st December, 2021

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.32%	4.48%	22.05%	93.23%	3.69%
Gross carrying amount (HK\$'000)	193,996	16,255	7,901	5,556	223,708
Expected credit losses (HK\$'000)	613	729	1,742	5,180	8,264

As at 31st December, 2020

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.32%	3.56%	11.39%	79.35%	4.38%
Gross carrying amount (HK\$'000)	195,413	19,830	17,576	9,157	241,976
Expected credit losses (HK\$'000)	617	706	2,002	7,266	10,591

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21. Reinsurance Assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reinsurers' share of insurance contracts liabilities (note 25)	1,593,696	1,531,060

22. Cash and Cash Equivalents and Pledged Deposits

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cash and bank balances	209,544	201,165
Time deposits with original maturity of over three months	230,946	102,761
Time deposits with original maturity of less than three months	2,433,195	2,496,314
	2,873,685	2,800,240
Pledged deposits	295,808	313,357
	3,169,493	3,113,597

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
With a residual maturity of:		
Three months or less	2,994,142	2,951,663
Over three months but less than one year	175,351	161,934
	3,169,493	3,113,597

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23. Share Capital

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
1,500,000,000 (2020: 1,500,000,000) ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
939,966,000 (2020: 946,620,000) ordinary shares of HK\$1 each	<u>939,966</u>	<u>946,620</u>

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

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1st January, 2020	960,840,000	960,840
Shares repurchased and cancelled	(14,220,000)	(14,220)
At 31st December, 2020 and 1st January, 2021	<u>946,620,000</u>	<u>946,620</u>
Shares repurchased and cancelled (<i>Note</i>)	<u>(6,654,000)</u>	<u>(6,654)</u>
At 31st December, 2021	<u>939,966,000</u>	<u>939,966</u>

Note:

At 31st December, 2020, 470,000 shares with cost of HK\$1,720,000 were classified as treasury shares, and were subsequently cancelled in January 2021. During the year ended 31st December, 2021, a subsidiary of the Company repurchased 6,882,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.27 to HK\$4.10 per share at a total consideration of HK\$25,937,000 (including expenses and dividend). Out of which, 6,184,000 repurchased shares were cancelled.

The premium of HK\$18,506,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$6,654,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the consolidated statement of changes in equity.

The remaining 698,000 shares with cost of HK\$2,497,000 were classified as treasury shares at 31st December, 2021 and were subsequently cancelled in January 2022.

24. Reserves

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 in the consolidated 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 a statutory reserve, until the balance of the reserve reaches 50% of the branch'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.

The contingency reserve ("CR") represents a reserve established in accordance with the *Guideline on Reserving for Mortgage Guarantee Business* ("GL6") issued by the Insurance Authority. In respect of the mortgage guarantee business entered into before 1st January, 2011, an amount equal to 50% of the net earned premium income derived from the mortgage guarantee business shall be assigned to the CR in each year and maintained for a period of seven years. In respect of the mortgage guarantee business entered into on or after 1st January, 2011, an amount equal to 50% of the net earned premium income derived from the mortgage guarantee business and 75% of the net earned premium derived from the direct non-standard mortgage guarantee business shall be assigned to the CR in each year and maintained for a period of ten years. In accordance with GL6, 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 the mortgage guarantee business entered into before 1st January, 2011, or the tenth year for the mortgage guarantee business entered into on or after 1st January, 2011, the amount assigned to the CR in respect of a year may be released to the extent that it has not already been depleted by prior withdrawals. Changes in the CR are recognised directly in equity.

No withdrawal was made to the CR during the year ended 31st December, 2021 (2020: Nil).

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25. Insurance Contracts Liabilities

	Notes	2021			2020		
		Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000 (note 21)	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000 (note 21)	Net HK\$'000
Life insurance contracts	(a)	98,607	–	98,607	91,216	–	91,216
General insurance contracts	(b)	4,109,935	(1,593,696)	2,516,239	3,843,888	(1,531,060)	2,312,828
Total insurance contracts liabilities		<u>4,208,542</u>	<u>(1,593,696)</u>	<u>2,614,846</u>	<u>3,935,104</u>	<u>(1,531,060)</u>	<u>2,404,044</u>

(a) The life insurance contracts liabilities are analysed as follows:

	Notes	2021			2020		
		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)	86,528	–	86,528	73,077	–	73,077
Provision for claims	(2)	12,079	–	12,079	18,139	–	18,139
		<u>98,607</u>	<u>–</u>	<u>98,607</u>	<u>91,216</u>	<u>–</u>	<u>91,216</u>

(1) Life reserve is analysed as follows:

	2021 HK\$'000	2020 HK\$'000
At 1st January	73,077	65,554
Increase in the year	13,451	7,523
At 31st December	<u>86,528</u>	<u>73,077</u>

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

	2021			2020		
	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	18,139	–	18,139	11,853	–	11,853
Claims incurred during the year	19,431	(14,054)	5,377	23,161	(10,245)	12,916
Claims paid during the year	(25,491)	14,054	(11,437)	(16,875)	10,245	(6,630)
At 31st December	<u>12,079</u>	<u>–</u>	<u>12,079</u>	<u>18,139</u>	<u>–</u>	<u>18,139</u>

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25. Insurance Contracts Liabilities (cont'd)

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

Notes	2021			2020		
	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	1,281,210	(573,071)	708,139	1,347,893	(623,383)	724,510
Provision for claims incurred but not reported ("IBNR")	1,659,536	(615,220)	1,044,316	1,444,866	(546,580)	898,286
Total claims reported and IBNR (1)	2,940,746	(1,188,291)	1,752,455	2,792,759	(1,169,963)	1,622,796
Provision for unearned premiums (2)	1,169,189	(405,405)	763,784	1,051,129	(361,097)	690,032
Total general insurance contracts liabilities	4,109,935	(1,593,696)	2,516,239	3,843,888	(1,531,060)	2,312,828

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

	2021			2020		
	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	2,792,759	(1,169,963)	1,622,796	2,546,365	(1,043,667)	1,502,698
Claims incurred during the year	936,189	(366,948)	569,241	952,748	(455,498)	497,250
Claims paid during the year	(788,202)	348,620	(439,582)	(706,354)	329,202	(377,152)
At 31st December	2,940,746	(1,188,291)	1,752,455	2,792,759	(1,169,963)	1,622,796

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

	2021			2020		
	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	1,051,129	(361,097)	690,032	979,692	(358,219)	621,473
Premiums written during the year	1,877,400	(677,166)	1,200,234	1,705,400	(617,579)	1,087,821
Premiums earned during the year	(1,759,340)	632,858	(1,126,482)	(1,633,963)	614,701	(1,019,262)
At 31st December	1,169,189	(405,405)	763,784	1,051,129	(361,097)	690,032

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26. Net Premiums

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
(a) Gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		1,214,370	1,076,797
Reinsurance accepted		663,030	628,603
Total gross general insurance premiums	<i>25(b)(2)</i>	1,877,400	1,705,400
Gross life insurance premiums		38,955	42,518
Total revenue		1,916,355	1,747,918
Change in gross unearned premiums		(118,060)	(71,437)
Change in life reserve	<i>25(a)(1)</i>	(13,451)	(7,523)
Total gross premiums		1,784,844	1,668,958
(b) Reinsurers' share of gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		(392,315)	(338,367)
Reinsurance accepted		(284,851)	(279,212)
Total gross general insurance premiums	<i>25(b)(2)</i>	(677,166)	(617,579)
Gross life insurance premiums		(16,239)	(17,382)
Change in unearned premiums		44,308	2,878
Total reinsurers' share of gross premiums		(649,097)	(632,083)

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27. Net Claims Incurred

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Gross claims paid			
Life insurance contracts claims paid	<i>25(a)(2)</i>	(25,491)	(16,875)
General insurance contracts claims paid	<i>25(b)(1)</i>	(788,202)	(706,354)
Total gross claims paid		(813,693)	(723,229)
(b) Reinsurers' share of gross claims paid			
Life insurance contracts claims paid	<i>25(a)(2)</i>	14,054	10,245
General insurance contracts claims paid	<i>25(b)(1)</i>	348,620	329,202
Total reinsurers' share of gross claims paid		362,674	339,447
(c) Gross change in outstanding claims			
Change in life insurance outstanding claims		6,060	(6,286)
Change in general insurance outstanding claims		(147,987)	(246,394)
Total gross change in outstanding claims		(141,927)	(252,680)
(d) Reinsurers' share of gross change in outstanding claims			
General insurance outstanding claims		18,328	126,296

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28. Insurance Payables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Three months or less	147,247	107,562
Six months or less but over three months	17,515	17,684
One year or less but over six months	8,423	22,952
Over one year	26,102	21,177
Total	<u>199,287</u>	<u>169,375</u>

29. Other Liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease liabilities	4,343	3,535
Accruals and other payables	323,939	301,017
Total	<u>328,282</u>	<u>304,552</u>

HK\$325,708,000 of the Group's other liabilities were current in nature while HK\$2,574,000 were non-current in nature as at 31st December, 2021. HK\$302,194,000 of the Group's other liabilities were current in nature while HK\$2,358,000 were non-current in nature as at 31st December, 2020. The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

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30. Deferred Tax

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

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Fair value adjustments of financial assets at fair value through profit or loss <i>HK\$'000</i>	Fair value adjustments of equity investments at fair value through other comprehensive income <i>HK\$'000</i>	Revaluation of buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2020	–	–	268,108	13,842	281,950
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>note 9</i>)	720	5,351	–	(144)	5,927
Deferred tax charged to other comprehensive income during the year	–	–	85,939	–	85,939
At 1st January, 2021	720	5,351	354,047	13,698	373,816
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>note 9</i>)	21	3,367	–	(12)	3,376
Deferred tax credited to other comprehensive income during the year	–	–	(137,468)	–	(137,468)
Gross deferred tax liabilities at 31st December, 2021	741	8,718	216,579	13,686	239,724

At 31st December, 2021, the Group had tax losses arising in Hong Kong of HK\$292,550,000 (2020: HK\$264,671,000) 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 mainly arisen in subsidiaries whose principal activities are securities trading and investment holding 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.

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31. Note to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Bank borrowing HK\$'000	Lease liabilities HK\$'000
At 1st January, 2020	100,000	2,005
New leases	–	2,643
Principal repayment	(100,000)	(1,113)
Interest expenses	304	79
Interest paid classified as financing cash flows	<u>(304)</u>	<u>(79)</u>
At 31st December, 2020 and 1st January, 2021	–	3,535
New leases	–	2,441
Principal repayment	–	(1,633)
Interest expenses	–	85
Interest paid classified as financing cash flows	<u>–</u>	<u>(85)</u>
At 31st December, 2021	<u>–</u>	<u>4,343</u>

32. Operating Lease Arrangements

As Lessor

The Group leases its investment properties (note 13) 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 31st December, 2021, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	6,577	6,566
After one year but within two years	6,469	6,389
After two years but within three years	<u>139</u>	<u>6,283</u>
	<u>13,185</u>	<u>19,238</u>

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33. Commitments

In addition to the operating lease commitments detailed in note 32, the Group had the following capital commitment at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted, but not provided for:		
Acquisition of computer software	<u>3,653</u>	<u>345</u>

34. Related Party Transactions

(a)

	2021		2020	
	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	-	1,954	-	1,963
Interbank activities:				
Deposits placed	-	711,854	-	516,531
Interest income	-	3,551	-	9,447
Premium income:				
Gross premiums written	363	13,043	401	7,330
Commission expense, net	-	24,288	-	1,465

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34. Related Party Transactions (cont'd)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reinsurance premium ceded	<u>6</u>	<u>6</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans and advances granted:		
Aggregate balance at the end of the reporting period	255,015	256,140
Interest income	1,732	1,755
Commission expense paid	<u>22,979</u>	<u>17,940</u>

(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 14 and 15 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, is included in note 7 to the financial statements.

35. 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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35. 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.

The analysis below is performed for reasonably possible movements in average claim cost with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity, if average claim costs were changed in a single calendar year.

The sensitivity factor is $\pm 5\%$ (2020: $\pm 5\%$). The sensitivities of net income and equity relate to the decrease/increase of average claim costs by 5% (2020: 5%) over the period.

	Change %	Impact on gross insurance contract liabilities HK\$'000	Impact on net insurance contract liabilities HK\$'000	Impact on profit before tax HK\$'000	Impact on equity HK\$'000
At 31st December, 2021					
Average claim costs	+5%	46,809	28,462	(28,462)	(23,766)
	-5%	(46,809)	(28,462)	28,462	23,766
At 31st December, 2020					
Average claim costs	+5%	47,637	24,863	(24,863)	(20,761)
	-5%	(47,637)	(24,863)	24,863	20,761

(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, 2021.

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

General Insurance Contracts (cont'd)

(4) Loss development triangle (cont'd)

Gross general insurance claims

	2012 and before	2013	2014	2015	2016	2017	2018	2019	2020	2021	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	4,702,891	688,871	681,583	638,217	597,487	1,365,990	836,266	976,306	928,719	982,778	
One year later	4,815,166	666,854	636,204	613,689	654,702	1,334,001	1,169,457	1,089,103	1,141,662	-	
Two years later	4,890,004	669,691	634,304	583,101	690,061	1,281,532	1,123,405	1,139,168	-	-	
Three years later	4,942,757	635,890	583,263	580,662	657,558	1,264,359	1,303,874	-	-	-	
Four years later	4,947,127	629,147	607,313	529,089	636,535	670,911	-	-	-	-	
Five years later	4,895,163	635,131	551,565	527,257	537,153	-	-	-	-	-	
Six years later	4,755,477	576,099	538,221	561,986	-	-	-	-	-	-	
Seven years later	4,740,890	579,744	576,091	-	-	-	-	-	-	-	
Eight years later	4,733,652	557,619	-	-	-	-	-	-	-	-	
Nine years later	4,176,300	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative gross claims	4,176,300	557,619	576,091	561,986	537,153	670,911	1,303,874	1,139,168	1,141,662	982,778	11,647,542
Cumulative gross payments to date	(4,068,471)	(528,621)	(533,100)	(497,308)	(429,910)	(466,636)	(988,330)	(669,778)	(396,858)	(127,784)	(8,706,796)
Total gross general insurance outstanding claims provision as per consolidated statement of financial position	107,829	28,998	42,991	64,678	107,243	204,275	315,544	469,390	744,804	854,994	2,940,746

(Note 25(b))

Net general insurance claims

	2012 and before	2013	2014	2015	2016	2017	2018	2019	2020	2021	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	3,223,951	548,608	558,328	498,393	457,531	613,420	574,089	520,818	477,928	580,905	
One year later	3,484,514	538,786	542,235	513,819	471,457	573,797	722,837	626,319	617,809	-	
Two years later	3,598,339	532,089	509,374	495,951	458,919	548,541	697,274	749,745	-	-	
Three years later	3,583,206	500,027	453,512	457,226	417,649	517,105	524,587	-	-	-	
Four years later	3,567,095	484,101	439,208	423,585	402,821	419,345	-	-	-	-	
Five years later	3,493,793	478,752	387,824	411,098	416,226	-	-	-	-	-	
Six years later	3,361,176	421,612	377,701	388,041	-	-	-	-	-	-	
Seven years later	3,340,310	427,295	429,241	-	-	-	-	-	-	-	
Eight years later	3,330,137	409,488	-	-	-	-	-	-	-	-	
Nine years later	2,907,628	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative net claims	2,907,628	409,488	429,241	388,041	416,226	419,345	524,587	749,745	617,809	580,905	7,443,015
Cumulative net payments to date	(2,825,575)	(386,881)	(398,450)	(344,887)	(349,409)	(302,168)	(349,923)	(466,614)	(176,272)	(90,381)	(5,690,560)
Total net general insurance outstanding claims provision as per consolidated statement of financial position	82,053	22,607	30,791	43,154	66,817	117,177	174,664	283,131	441,537	490,524	1,752,455

(Note 25(b))

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36. Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, amounts due from associates, financial assets included in loans and advances and other assets, insurance receivables, insurance payables, amounts due to associates, other liabilities and an 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. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted fund investments at fair value through profit or loss are based on fund house quotations when the open market quotation is not available. 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 to calculate 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 enterprise value 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 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.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31st December, 2021:

	Valuation technique	Significant unobservable input	Range or weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount of lack of marketability	0% – 38%	20% increase/(decrease) in discount would result in (decrease)/increase in fair value by HK\$375,107,000
		Price to book value multiple	0.15 – 4.78	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$38,468,000
		Enterprise value to earnings multiple	1.07 – 34.32	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$2,707,000
		Enterprise value to sales multiple	0.16 – 11.83	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$1,918,000
		Price to earnings multiple	7.62 – 14.88	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$45,450,000
		Price to embedded value multiple	0.39 – 1.87	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$468,000,000

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.

Notes to Financial Statements

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31st December, 2020:

	Valuation technique	Significant unobservable input	Range or weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount of lack of marketability	0% – 39%	20% increase/(decrease) in discount would result in (decrease)/increase in fair value by HK\$498,465,000
		Price to book value multiple	0.21 – 19.7	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$41,621,000
		Enterprise value to earnings multiple	8.30 – 36.70	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$1,130,000
		Enterprise value to sales multiple	0.35 – 13.37	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$1,085,000
		Price to earnings multiple	13.87 – 21.75	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$62,900,000
		Price to embedded value multiple	0.24 – 2.49	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$648,000,000

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.

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

The following tables illustrate the fair value measurement hierarchy of the Group's 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 31st December, 2021				
Equity investments designated at fair value through other comprehensive income	538,235	1,098,711	3,852,074	5,489,020
Financial assets at fair value through profit or loss	1,034,884	449,646	193,129	1,677,659
	<u>1,573,119</u>	<u>1,548,357</u>	<u>4,045,203</u>	<u>7,166,679</u>

	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, 2020				
Equity investments designated at fair value through other comprehensive income	582,971	1,029,815	5,238,178	6,850,964
Financial assets at fair value through profit or loss	859,298	364,936	117,482	1,341,716
	<u>1,442,269</u>	<u>1,394,751</u>	<u>5,355,660</u>	<u>8,192,680</u>

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

Fair Value Hierarchy (cont'd)

The movements in the fair value measurement within level 3 during the year ended 31st December, 2021 are as follows:

	Financial assets at fair value through profit or loss – unlisted <i>HK\$'000</i>	Equity investments at fair value through other comprehensive income – unlisted <i>HK\$'000</i>
At 1st January, 2020	–	4,142,407
Purchase during 2020	50,242	34,565
Transfer from interest in an associate	–	178,503
Disposal during 2020	–	(3,006)
Total gain recognised in profit or loss	9,150	–
Total gain recognised in other comprehensive income	–	885,709
Transferred into level 3*	58,090	–
	<u>117,482</u>	<u>5,238,178</u>
At 31st December, 2020 and at 1st January, 2021	117,482	5,238,178
Purchase during 2021	31,841	–
Disposal during 2021	(5,379)	–
Total gain recognised in profit or loss	49,185	–
Total gain recognised in other comprehensive income	–	(1,329,620)
Distribution to Non-controlling interest	–	(56,484)
	<u>193,129</u>	<u>3,852,074</u>
At 31st December, 2021	193,129	3,852,074
Total unrealised gain for the year included in profit or loss for financial assets held as at 31st December, 2021	<u>49,185</u>	<u>–</u>

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31st December, 2021 and 2020.

* Transfers into level 3 during the period relate to financial instruments where the valuation parameters became unobservable during the year ended 31st December, 2020. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the year.

During the year ended 31st December, 2021, there were no transfers of fair value measurements into or out of Level 3 for financial assets.

During the years ended 31st December, 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

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

Assets for which fair values are disclosed:

	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, 2021			
Held-to-collect debt securities at amortised cost	<u>980,088</u>	<u>174,303</u>	<u>1,154,391</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>
As at 31st December, 2020			
Held-to-collect debt securities at amortised cost	<u>911,980</u>	<u>178,159</u>	<u>1,090,139</u>

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37. 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 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.

31st December, 2021

37. Financial Risk Management Objectives and Policies (cont'd)**(2) Credit Risk Management (cont'd)**

Maximum exposure and year-end staging as at 31st December, 2021

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31st December, 2021. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month	Life time ECLs			HK\$'000
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	
				HK\$'000	HK\$'000
Due from associates	255,015	-	-	-	255,015
Held-to-collect debt securities at amortised cost	1,127,119	-	-	-	1,127,119
Insurance receivables*	-	-	-	223,708	223,708
Financial assets included in loans and advances and other assets					
– Normal**	158,082	-	-	-	158,082
Pledged deposits					
– Not yet past due	295,808	-	-	-	295,808
Cash and cash equivalents					
– Not yet past due	2,873,685	-	-	-	2,873,685
Total	4,709,709	-	-	223,708	4,933,417

* For insurance receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in loans and advances and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Notes to Financial Statements

31st December, 2021

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

(2) Credit Risk Management (cont'd)

Maximum exposure and year-end staging as at 31st December, 2020

	12-month	Life time ECLs			Simplified approach	HK\$'000
	ECLs	Stage 1	Stage 2	Stage 3		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Due from associates	256,140	–	–	–	256,140	
Held-to-collect debt securities at amortised cost	1,044,004	–	–	–	1,044,004	
Insurance receivables*	–	–	–	241,976	241,976	
Financial assets included in loans and advances and other assets						
– Normal**	146,316	–	–	–	146,316	
Pledged deposits						
– Not yet past due	313,357	–	–	–	313,357	
Cash and cash equivalents						
– Not yet past due	2,800,240	–	–	–	2,800,240	
Total	4,560,057	–	–	241,976	4,802,033	

* For insurance receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in loans and advances and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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

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

	2021			Total HK\$'000
	On demand and less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Provision for claims reported by policyholders	214,686	1,078,603	–	1,293,289
IBNR	275,483	1,384,053	–	1,659,536
Insurance payables	199,287	–	–	199,287
Due to associates	4,222	–	–	4,222
Lease liabilities	1,838	2,627	–	4,465
Accruals and other payables	323,939	–	–	323,939
	<u>1,019,455</u>	<u>2,465,283</u>	<u>–</u>	<u>3,484,738</u>

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31st December, 2021

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

(3) Liquidity Risk Management (cont'd)

	2020			Total HK\$'000
	On demand and less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Provision for claims reported by policyholders	233,591	1,132,441	–	1,366,032
IBNR	247,072	1,197,794	–	1,444,866
Insurance payables	169,375	–	–	169,375
Due to associates	4,222	–	–	4,222
Lease liabilities	1,250	2,442	–	3,692
Accruals and other payables	301,017	–	–	301,017
	<u>956,527</u>	<u>2,332,677</u>	<u>–</u>	<u>3,289,204</u>

The tables below summarise the expected recovery or settlement of assets of the Group:

31st December, 2021	Current* HK\$'000	Non-current HK\$'000	Total HK\$'000
Property, plant and equipment	–	188,702	188,702
Investment properties	–	264,100	264,100
Interests in joint ventures	–	637,436	637,436
Interests in associates	–	611,513	611,513
Due from associates	86,625	168,390	255,015
Held-to-collect debt securities at amortised cost	107,250	1,018,813	1,126,063
Equity investments designated at fair value through other comprehensive income	–	5,489,020	5,489,020
Pledged deposits	295,808	–	295,808
Loans and advances and other assets	161,097	4,371	165,468
Financial assets at fair value through profit or loss	1,677,659	–	1,677,659
Insurance receivables	215,444	–	215,444
Reinsurance assets	1,593,696	–	1,593,696
Cash and cash equivalents	2,873,685	–	2,873,685
Total assets	<u>7,011,264</u>	<u>8,382,345</u>	<u>15,393,609</u>

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

31st December, 2021

37. 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: (cont'd)

31st December, 2020	Current* <i>HK\$'000</i>	Non-current <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	–	194,232	194,232
Investment properties	–	257,500	257,500
Interests in joint ventures	–	515,444	515,444
Interests in associates	–	427,519	427,519
Due from associates	87,750	168,390	256,140
Held-to-collect debt securities at amortised cost	71,133	971,634	1,042,767
Equity investments designated at fair value through other comprehensive income	–	6,850,964	6,850,964
Pledged deposits	313,357	–	313,357
Loans and advances and other assets	146,000	7,702	153,702
Financial assets at fair value through profit or loss	1,341,716	–	1,341,716
Insurance receivables	231,385	–	231,385
Reinsurance assets	1,531,060	–	1,531,060
Cash and cash equivalents	2,800,240	–	2,800,240
Total assets	6,522,641	9,393,385	15,916,026

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

(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 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.

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31st December, 2021

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

(4) Capital Management (cont'd)

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

	Life insurance HK\$'000	Non-life insurance HK\$'000
2021 required Relevant Amount	21,976	195,246
2020 required Relevant Amount	21,585	182,280

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 current debt divided by total capital plus net current debt. Net current debt includes current portion of insurance contracts liabilities, insurance payables, amounts due to associates, an 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 31st December, 2021, the Group had no net current 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.

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37. Financial Risk Management Objectives and Policies (cont'd)**(5) Interest Rate Risk Management (cont'd)**

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, for financial assets at fair value through profit or loss, interest-bearing bank deposits, loans and advances and other assets and an 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	2021		2020	
		Increase/(decrease) in profit HK\$'000	in equity* HK\$'000	Increase/(decrease) in profit HK\$'000	in equity* HK\$'000
Financial assets at fair value	+50 basis points	(1,096)	–	(1,366)	–
through profit or loss	–50 basis points	1,096	–	1,366	–
Interest-bearing	+50 basis points	15,306	–	15,082	–
bank deposits	–50 basis points	(15,306)	–	(15,082)	–
Loans and advances	+50 basis points	28	–	43	–
and other assets	–50 basis points	(28)	–	(43)	–

* Excluding retained profits

(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).

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31st December, 2021

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

(6) Foreign Exchange Risk Management (cont'd)

	Change in exchange rate %	Decrease in profit before tax HK\$'000
2021		
If Thai Baht weakens against Hong Kong dollar	-5%	(121)
If Japanese Yen weakens against Hong Kong dollar	-8%	(547)
If Renminbi weakens against Hong Kong dollar	-7%	(22,305)
2020		
If Thai Baht weakens against Hong Kong dollar	-5%	(100)
If Japanese Yen weakens against Hong Kong dollar	-8%	(513)
If Renminbi weakens against Hong Kong dollar	-7%	(9,927)

(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 Group actively manages its product mix to ensure that there is no significant concentration of insurance risk.

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 areas. 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.

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

(7) Insurance Risk Management (cont'd)

The majority of the 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.

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.

Notes to Financial Statements

31st December, 2021

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

(7) Insurance Risk Management (cont'd)

	2021			2020		
	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
Employees' compensation	1,296,125	(174,287)	1,121,838	1,207,968	(149,351)	1,058,617
Property damage	1,211,939	(615,886)	596,053	1,099,785	(600,101)	499,684
General liability	751,520	(389,045)	362,475	648,067	(327,026)	321,041
Motor vehicle	446,933	(177,510)	269,423	494,584	(221,897)	272,687
Others	403,418	(236,968)	166,450	393,484	(232,685)	160,799
Total general insurance	<u>4,109,935</u>	<u>(1,593,696)</u>	<u>2,516,239</u>	<u>3,843,888</u>	<u>(1,531,060)</u>	<u>2,312,828</u>

As at 31st December, 2021, over 90% (2020: 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.

(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 included in financial assets at fair value through profit or loss (note 19) and equity investments designated at fair value through other comprehensive income (note 17) as at 31st December, 2021. 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.

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37. Financial Risk Management Objectives and Policies (cont'd)**(9) Equity Price Risk Management (cont'd)**

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 equity investments at fair value through other comprehensive income, the impact is recognised on the fair value reserve, which is part of equity.

	Change in sensitivity %	Carrying amount of securities HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2021				
Equity investments in:				
Hong Kong				
– Listed financial assets at fair value through profit or loss	+15%	295,245	44,287	–
	–15%	295,245	(44,287)	–
United States				
– Listed financial assets at fair value through profit or loss	+10%	385,862	38,586	–
	–10%	385,862	(38,586)	–
Thailand				
– Listed equity investments at fair value through other comprehensive income	+5%	1,636,946	–	81,847
	–5%	1,636,946	–	(81,847)
– Listed financial assets at fair value through profit or loss	+5%	162,856	8,143	–
	–5%	162,856	(8,143)	–
All other areas				
– Listed financial assets at fair value through profit or loss	+10%	3,389	339	–
	–10%	3,389	(339)	–

* Excluding retained profits

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37. 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>
2020				
Equity investments in:				
Hong Kong				
– Listed financial assets at	+15%	216,473	32,471	–
fair value through profit or loss	–15%	216,473	(32,471)	–
United States				
– Listed financial assets at	+10%	278,549	27,855	–
fair value through profit or loss	–10%	278,549	(27,855)	–
Thailand				
– Listed equity investments at	+5%	1,612,786	–	80,639
fair value through other	–5%	1,612,786	–	(80,639)
comprehensive income				
– Listed financial assets at	+5%	158,357	7,918	–
fair value through profit or loss	–5%	158,357	(7,918)	–
All other areas				
– Listed financial assets at	+10%	3,235	324	–
fair value through profit or loss	–10%	3,235	(324)	–
* Excluding retained profits				

31st December, 2021

38. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS		
Interests in subsidiaries	1,721,957	1,721,957
Due from subsidiaries	1,277,269	1,321,153
Interest in a joint venture	–	–
Equity investments at fair value through other comprehensive income	3,423,000	4,762,000
Loans and advances and other assets	9,567	8,853
Cash and cash equivalents	646,944	370,785
Total assets	<u>7,078,737</u>	<u>8,184,748</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	939,966	946,620
Reserves (note)	5,494,416	6,504,875
Proposed final dividend	98,623	65,970
Total equity	<u>6,533,005</u>	<u>7,517,465</u>
Liabilities		
Other liabilities	28,995	9,684
Due to subsidiaries	311,799	311,811
Deferred tax liabilities	204,938	345,788
Total liabilities	<u>545,732</u>	<u>667,283</u>
Total equity and liabilities	<u>7,078,737</u>	<u>8,184,748</u>

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38. Statement of Financial Position of the Company (cont'd)

Note:

A summary of the Company's reserves is as follows:

	Fair value reserve HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2020	2,117,127	(593)	560,531	60,060	97,181	2,837,265	5,671,571
Profit for the year	-	-	-	-	-	171,406	171,406
Other comprehensive income for the year:							
Changes in fair value of equity							
investments at fair value through							
other comprehensive income, net of tax	775,000	-	-	-	-	-	775,000
Total comprehensive income for the year	775,000	-	-	-	-	171,406	946,406
Repurchase of shares (note 23)	-	(1,127)	-	-	-	(36,516)	(37,643)
Transfer to capital redemption reserve (note 23)	-	-	-	-	14,220	(14,220)	-
Interim 2020 dividend	-	-	-	-	-	(9,493)	(9,493)
Proposed final 2020 dividend (note 10)	-	-	-	-	-	(65,970)	(65,970)
Over-provision of 2020 interim dividend	-	-	-	-	-	4	4
At 31st December, 2020 and 1st January, 2021	2,892,127	(1,720)	560,531	60,060	111,401	2,882,476	6,504,875
Profit for the year	-	-	-	-	-	343,222	343,222
Other comprehensive income for the year:							
Changes in fair value of equity							
investments at fair value through							
other comprehensive income, net of tax	(1,198,150)	-	-	-	-	-	(1,198,150)
Total comprehensive income for the year	(1,198,150)	-	-	-	-	343,222	(854,928)
Repurchase of shares (note 23)	-	(777)	-	-	-	(18,506)	(19,283)
Transfer to capital redemption reserve (note 23)	-	-	-	-	6,654	(6,654)	-
Interim 2021 dividend	-	-	-	-	-	(37,642)	(37,642)
Proposed final 2021 dividend (note 10)	-	-	-	-	-	(98,623)	(98,623)
Over-provision of 2020 final dividend	-	-	-	-	-	17	17
At 31st December, 2021	1,693,977	(2,497)	560,531	60,060	118,055	3,064,290	5,494,416

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39. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st December, 2021 are as follows:

Name	Place of incorporation	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
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 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
AI Ventures Limited	Hong Kong	–	100	HK\$1	Investment holding

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39. Particulars of Principal Subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries as at 31st December, 2021 are as follows: (cont'd)

Name	Place of incorporation	Percentage of equity attributable to the Company		Issued share capital	Principal activities
		Direct	Indirect		
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
AFH Health Care Investment Limited	Hong Kong	100	-	HK\$25,700,000	Investment holding
Wellness Realty Limited	Hong Kong	100	-	HK\$10,000	Property investment

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.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25th March, 2022.