

A Trusted Partner in Asia

ANNUAL REPORT 2022

Stock Code: 662
www.afh.hk

	<i>Pages</i>
Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Environmental, Social and Governance Report	12
Corporate Governance Report	34
Report of the Directors	56
Independent Auditor's Report	68
Audited Financial Statements	
Consolidated Statement of Profit or Loss	74
Consolidated Statement of Comprehensive Income	76
Consolidated Statement of Financial Position	77
Consolidated Statement of Changes in Equity	79
Consolidated Statement of Cash Flows	81
Notes to Financial Statements	84

Corporate Information

Board of Directors

Executive Directors

CHAN Bernard Charnwut (*Chairman and President*)
TAN Stephen
WONG Kok Ho

Non-Executive Directors

KAWAUCHI Yuji
OGURA Satoru

Independent Non-Executive Directors

LAI KO Wing Yee Rebecca
AU YANG Chi Chun Evan
NGAN Edith Manling

Audit Committee

NGAN Edith Manling (*Chairperson*)
LAI KO Wing Yee Rebecca
AU YANG Chi Chun Evan

Compliance Committee

AU YANG Chi Chun Evan (*Chairperson*)
LAI KO Wing Yee Rebecca
NGAN Edith Manling
CHAN Bernard Charnwut
TAN Stephen

Remuneration Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
AU YANG Chi Chun Evan
NGAN Edith Manling
CHAN Bernard Charnwut
WONG Kok Ho

Nomination Committee

AU YANG Chi Chun Evan (*Chairperson*)
LAI KO Wing Yee Rebecca
NGAN Edith Manling
CHAN Bernard Charnwut
WONG Kok Ho

Risk Committee

LAI KO Wing Yee Rebecca (*Chairperson*)
AU YANG Chi Chun Evan
NGAN Edith Manling
CHAN Bernard Charnwut
WONG Kok Ho

Company Secretary

CHIANG Yuet Wah Connie

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

16th Floor, Worldwide House
19 Des Voeux Road Central
Hong Kong

Telephone : (852) 3606 9200

Fax : (852) 2869 1609

Website : www.afh.hk

Email : contactus@afh.hk

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

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

Financial Highlights

	2022	2021 (Restated)	Change %
FOR THE YEAR (in HK\$ million)			
Revenue	2,085.2	1,916.4	+8.8%
Underwriting profit	182.5	170.2	+7.2%
Dividend income	209.0	292.3	-28.5%
Realised gain/(loss) on investments	(101.5)	40.7	-349.4%
Unrealised gain/(loss) on investments	(67.5)	77.0	-187.7%
Share of profits or losses of joint ventures & associates	107.3	225.4	-52.4%
Profit attributable to equity holders of the Company	199.9	677.6	-70.5%
AT 31 DECEMBER (in HK\$ million)			
Total assets	15,640.8	15,439.1	+1.3%
Total liabilities	5,148.1	5,015.4	+2.6%
Equity attributable to equity holders of the Company	10,492.8	10,423.8	+0.7%
PER SHARE (in HK cents)			
Earnings per share – Basic and diluted	21.3	71.9	-70.4%
Interim dividend per share	1.5	4.0	-62.5%
Final dividend per share	3.5	10.5	-66.7%
Total dividend per share	5.0	14.5	-65.5%
KEY RATIOS			
Return on average assets	1.3%	4.3%	
Return on average equity	1.9%	6.3%	

Chairman's Statement



Asia Financial Holdings Limited ("Asia Financial", "The Group" or "The Company") recorded a net profit attributable to shareholders of HK\$199.9 million in 2022, representing a 70.5% decrease compared with the same period in 2021. The main contributing factors were lower valuations in portfolio investments, and overall decrease in contributions from our joint ventures and associates. This was slightly offset by underwriting profits from our core insurance business.

In spite of the coronavirus pandemic and its associated economic impact, our core businesses showed reassuring resiliency. With a solid and mature core insurance business, our current underwriting revenue and profits remain stable and growing. 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 continue to face challenges on the path to global economic recovery.

Asia Financial's prospects for 2023 will continue to be affected by geopolitical conflict, elevated inflation, rising interest rates, and their unpredictable impact on the performance of global equity markets and on global economies in general. 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.

CHAN Bernard Charnwut
Chairman and President

Economic Background

2022 was a turbulent year for the global economy. According to the January 2023 data released by the IMF, the estimated global GDP growth slowed to 3.4% in 2022 as compared to 5.9% in 2021. Geopolitical conflict, energy crises, and supply chain disruptions contributed to rising inflation, compounding damage from the COVID-19 pandemic. The broad economic slowdown was exacerbated by rising interest rates and withdrawal of fiscal and monetary policy accommodation.

Although the US economy grew by about 2.0% in 2022, US stock markets were weak. Registering their biggest one-year percentage declines in 14 years, the S&P 500 was down 19% and the NASDAQ down 33% versus the year before. There is uncertainty surrounding the economy as it faces multiple challenges such as high inflation, rising interest rates and growing concerns about corporate profits and economic growth.

Hong Kong's economy contracted about 3.5% in 2022, hampered by stringent pandemic curbs, rising interest rates and falling home and stock prices. The Hang Seng Index and H-Share Index declined about 15% and 19% respectively compared to the previous year.

China's economy grew by 3% in 2022, one of its worst years on record due to coronavirus curbs and lockdowns. The China CSI 300 Index lost 22%. However, it is expected that China's economic recovery will gather pace with the removal of coronavirus curbs and its reopening to the world.

Management Approach and Future Prospects

The global and regional economic picture in 2023 remains uncertain and difficult to predict due to underlying risks. Asia Financial's prospects for 2023 will continue to be affected by the global economic environment. We expect volatility in markets due to risks of inflationary pressure, rising interest rates, tapering of stimulus, and increased geopolitical tensions. We will be closely monitoring risks and 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; our strong distribution network and market positioning supports our ability to perform well despite the challenging economic conditions 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 to meet the demands of our customers.

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, 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-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

CHAN Bernard Charnwut

Chairman and President

Hong Kong, 27th March, 2023



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\$199.9 million	–70.5%
Earnings per share:	HK21.3 cents	–70.4%
Final dividend per share:	HK3.5 cents	–66.7%
Total dividend per share:	HK5.0 cents	–65.5%
Equity attributable to equity holders of the Company:	HK\$10,492.8 million	+0.7%
Total Assets:	HK\$15,640.8 million	+1.3%
Return on equity:	1.9% (6.3% for 2021)	

Earnings and Dividends

For the year ended 31st December, 2022, the Group recorded net profit attributable to shareholders of HK\$199.9 million, representing a 70.5% decrease compared with the previous year. The main contributing factors were lower valuations in portfolio investments, and overall decrease in contributions from our joint ventures and associates. This was slightly offset by underwriting profits from our core insurance business.

The Group's earnings per share for the year 2022 were HK21.3 cents. The Board had declared an interim dividend of HK1.5 cents in August 2022 and proposed a final dividend of HK3.5 cents, making a total dividend for the year of HK5.0 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 bank balances as at 31st December, 2022 amounted to HK\$2,728,885,000 (2021: HK\$2,873,685,000).

The Group had no bank borrowing as at 31st December, 2022.

No gearing ratio was calculated as the Group had no net current debt as at 31st December, 2022. 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 bank balances and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

Charge on Assets

As at 31st December, 2022 Asia Insurance Company, Limited (“Asia Insurance”) charged assets with a carrying value of HK\$126,954,000 (2021: HK\$126,670,000) 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, 2022, the Group had no material contingent liabilities.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved net profit attributable to shareholders of HK\$195.8 million in 2022, a 21.5% decrease compared with the same period in 2021.

Despite the pandemic’s impact on our clients’ businesses, our turnover for 2022 rose by 8.9% over the same period in 2021, an extraordinary testimony to our company’s service, reputation and client confidence. This represents the 5th consecutive year of record high results.

Asia Insurance has been successful in its growth and 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, online and property insurance.

Underwriting profit increased by 7.8% over the same period in 2021. 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 reasonable increase in Asia Insurance’s costs in 2022 was in line with budget and with the company’s continued business expansion and investment in user and backend systems. Asia Insurance further augmented its distribution network through new agents and brokers and online digital channels. We developed and launched additional online platforms with banking and insurance partners, driving digital transformation. There was no significant exposure to catastrophe during the period.

The outlook for Asia Insurance’s core underwriting activities in both Hong Kong and Macau looks positive though challenging for 2023 and beyond. We see risks and issues brought by a highly competitive market and regional economic uncertainties, including an elevated client cost-consciousness and possible contraction in their businesses.

Looking ahead, we anticipate potential 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 anticipation of future trends in client needs and market conditions, Asia Insurance is actively developing significant innovations to our product range, upgrading employee skills, and enhancing systems and distribution capacity.

Management Discussion and Analysis

Business Review (cont'd)

Insurance (cont'd)

We will continue to utilize our risk management expertise to focus on balanced growth from quality business with disciplined underwriting, 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.

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.

We recorded both realised and unrealised losses in our investments. Joint ventures and associates in the insurance segment yielded an overall profit in 2022. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited enjoyed 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 license to return sizeable dividends to its shareholders. The company maintains a healthy position in the China market, with a substantial network of offices.

The outlook for next year's investments remain uncertain. We will maintain a sensible and watchful approach towards portfolio management.

Other Portfolio Investment

Trading investments posted declines in 2022 due to downturns in major stock markets. We calibrated our portfolio in line with market changes, and will continue to monitor and adjust to continuing market fluctuations. Dividend income from long-term strategic investments was stable.

Our portfolio will remain focused on high-quality equities and fixed-income investments, and our approach will be long term rather than reactive to year-on-year fluctuations in market valuations. We will continue to place the highest priority on preservation of shareholder value. At the same time, we remain alert to potential new long-term opportunities arising from major developments in the global environment and changes in consumer trends post-COVID-19.

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok is our largest listed equity investment. For 2022, the stock price was up 50.4% in Thai Baht terms, and 44.7% in Hong Kong dollar terms to be among our best performing trading investments.

Bumrungrad's success in attracting patients internationally through the delivery of high-quality medical services is likely to continue. Since Thailand was open to foreign travellers the entire year, tourism and medical tourism continues to recover. The outlook for medical tourism remains positive for next year, and Bumrungrad is well positioned to benefit from the rebound in this environment.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated lower but stable profits in 2022, 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.

Business Review (cont'd)

Property Development

The Group's interests in real estate are focused on Shanghai and represent 4.2% 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. Its Phase 3 was developed in four stages.

We realised steady profits from this project for Stages One to Three and expected Stage Four to follow the same successful trajectory. Instead, due to extended COVID-19 lockdowns and curbs in Shanghai, we were unable to realise sales of Stage Four in 2022. We remain optimistic for 2023 as there is still demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading.

Looking ahead, the outlook for China's property market should improve from 2022, though confidence remains fragile amid weak economic recovery and uncertainty in the market.

We obtained government approval for the master plan of a new 60,000 sqm mixed-use development on a 21,000 sqm piece of land in Qingpu district conveniently located close to the Shanghai Hongqiao International Airport. The stylish mixed-use development comprises a 70% residential and 30% commercial mix. Foundation work is expected to commence the first half of 2023.

Securities Investments Representing More than 5% of Total Assets

As at 31st December, 2022, 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, 2022 <i>(HK\$'million)</i>	% of total Group assets	Realised and unrealised gain/(loss) <i>(HK\$'million)</i>	Dividends received <i>(HK\$'million)</i>
PICC Life	1,288,055	2,750	17.6%	(370)	96
Bumrungrad Hospital	37,399	1,791	11.5%	549	27

Both investments are primarily long-term strategic holdings.

Management Discussion and Analysis

Impact of the COVID-19 Pandemic

Effect on our operations, and relative risk and uncertainties

Challenges caused by the pandemic and its resultant economic and business volatility had an impact on our overall 2022 performance. Although many of our insurance business customers are SMEs who were particularly vulnerable during the pandemic, our bottom line was affected to a manageable extent.

The performance of our investment portfolio in 2022 was influenced by COVID-19 indirectly, plus other external factors.

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 2022, and we anticipate it will continue to do so in the future.

In terms of direct exposure to the COVID-19 pandemic, in 2022 we took robust measures to protect the health and safety of our staff and our clients, and encouraged vaccination of our staff. We established systematic 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.

Stakeholders

Asia Financial understands and respects 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 skillful and qualified 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 and choice products are key reasons 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 value 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 as at 31st December, 2022 was 329 (31st December, 2021: 314). 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 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 Appendix 27 “Environmental, Social and Governance (“ESG”) Reporting Guide” 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 2022 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 (“Asia Financial” or “the 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 factors that concern our stakeholders and Asia Financial’s management, who in turn establish short, medium to 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:	<p>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.</p> <p>Asia Financial continues to report AFH and AI figures respectively on top of consolidated figures in order to highlight the different business nature and more effectively customize ESG measures that are applicable to Asia Financial’s businesses.</p>

A. About This Report (cont'd)

A4. Stakeholder Engagement and Materiality Assessment

Asia Financial operates in a socially responsible and transparent manner by engaging with various stakeholders via multiple communication channels. These communication channels are opportunities for Asia Financial to convey our strategies and for stakeholders to voice their expectations.

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

Stakeholders	Communication Channels
Community	– Meeting with NGOs
	– Sponsorships and donations
	– Participate in events and activities
Customers	– Client relationship contacts
	– Company website
	– Customer service hotline
	– Online platform
Employees	– Annual performance appraisal system
	– Recreational and volunteer activities
	– Townhall meetings held by AI
	– Trainings, seminars and briefing sessions
Regulators	– Compliance reports & risk reports
	– On-site review
	– Regular meetings and communications
	– Training, focus groups and other events
Shareholders	– Annual General Meetings and other ad hoc meetings
	– Company website
	– Corporate communications including announcements, press releases, circulars, interim reports and annual reports
	– Investor meetings, press conferences and briefings
Suppliers	– Annual supplier, service provider and vendor review for internal use
	– Regular supplier communications and engagements

A. About This Report (cont'd)

A4. Stakeholder Engagement and Materiality Assessment (cont'd)

Asia Financial has identified 5 material ESG concerns as follow along with the Company's responses:

(a) Cyber and Data Security

Cyber and data security are top concerns for any company that possesses and handles customer data. Naturally, this is a priority risk control area, especially for Asia Financial's insurance business. 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 actively involved in various comprehensive information and technology reviews, such as vulnerability assessments, penetration tests, architectural and process reviews, as well as measures to raise and reinforce staff's data security awareness. The Group continues to develop our in-house expertise and has carried out various system upgrades in 2022, such as extended maintenance coverages, re-organizing server room, and installing additional back-up uninterruptible power supply. Asia Financial will continue to implement necessary upgrades to enhance cyber and data security.

(b) Evolving ESG Disclosure Requirements

Shareholders, investors and customers are increasingly paying more attention to a company's ESG performance in addition to traditional financial indicators. As a result, regulators are beginning to encourage companies to provide more comprehensive climate-related disclosures. Asia Financial will closely follow changes in regulations regarding climate-related disclosures to achieve the greatest transparency, properly strategize for the growing focus on ESG regarding investments, and closely examine the effects of climate change on our insurance business in order to assess and mitigate risks.

(c) Health and Safety

Since the beginning of COVID-19 pandemic, the Company has taken an active role in mitigating the spread and impact on our operations. We prioritize our staff's health and safety, not only did the Company follow government protocols and suggestions, but we have gone further with internal protocols and guidelines to minimize risk of exposure for staff, such as mandatory RAT tests and offering more flexibility with work-from-home options. As the government continues to loosen COVID-19 protocols, Asia Financial will strike a balance between following the government's guidance but also keeping our staff safe in their working environment.

(d) Natural Disasters and Climate Change

The insurance industry is exposed to climate-related risks. AI 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.

(e) 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. Asia Financial aims to remain competitive with attractive remuneration packages and enhanced staff benefits in order to attract talents.

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.

B. ESG Philosophy

Asia Financial takes pride in being recognized as a “Caring Company” by the Hong Kong Council of Social Service for the 20th consecutive year since 2003 and for continuing to contribute to community programmes where we can add value.

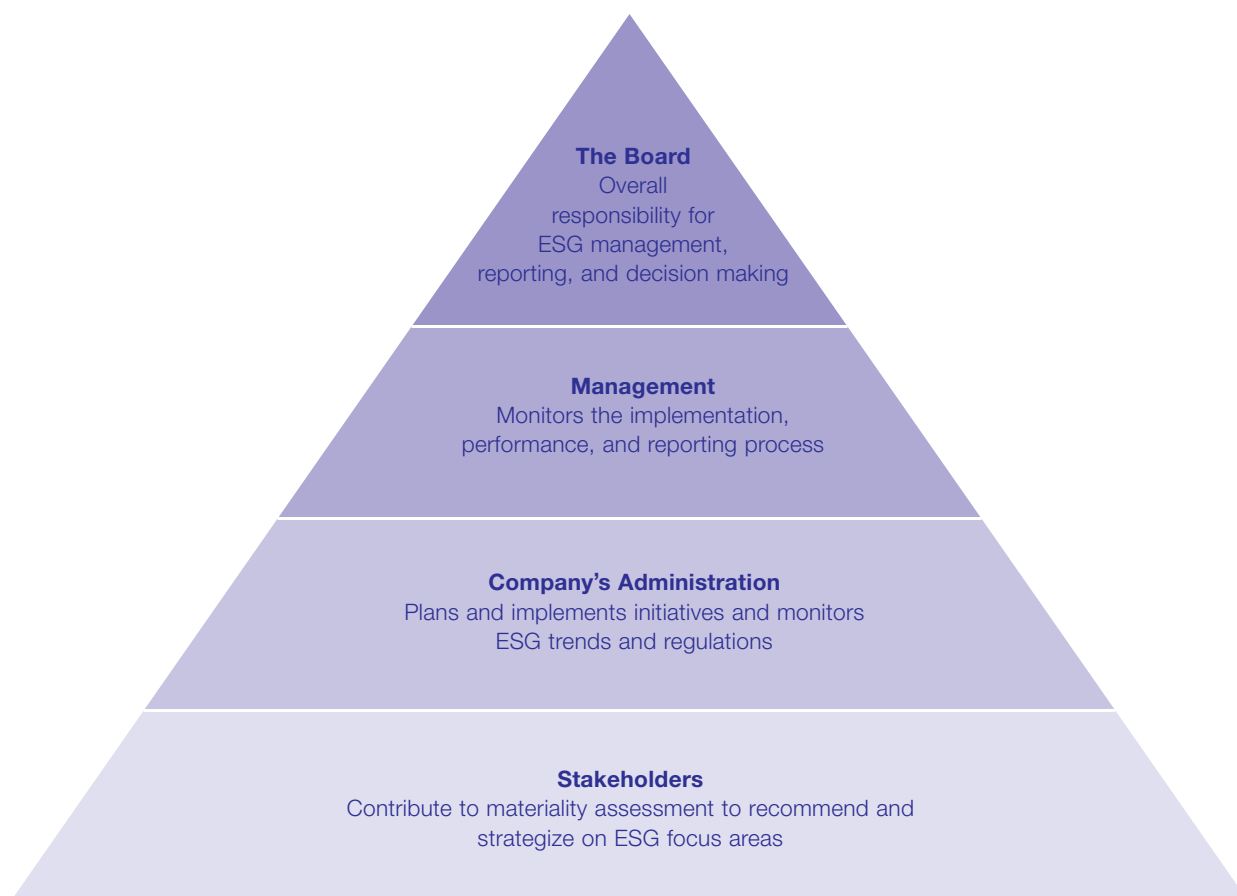


ECO-Healthy
WORKPLACE

Additionally, we have been awarded the Green Office Award Label from the World Green Organization for the 9th 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 (“ESG”) management continues to play a prominent role within business strategies, particularly in areas such as business health, operations, and risk management. Businesses from all sectors and investors alike are paying closer attention to ESG performance and transparency of climate-related disclosures as one of the factors when it comes to investment or purchase decisions. With the rapid development of global climate-related disclosure standards such as the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and United Nations Sustainable Development Goals, Hong Kong is also swiftly keeping up. Since establishment in 2020, The Green and Sustainable Finance Cross-Agency Steering Group has been making progress on a roadmap to align Hong Kong’s climate-related disclosures with globally recognized ones.

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. 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 physical, 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 businesses. Directors actively participate in creating quantifiable and transparent ESG goals whenever possible and closely track Asia Financial’s ESG progress.

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. As Hong Kong advances itself to become a leader in green and sustainable finance and works towards carbon neutrality, Asia Financial recognizes the significance of sound ESG practices and the importance of integrating ESG considerations in our daily operations. Asia Financial will continue to develop and review ESG issues relevant to our businesses and recommend appropriate procedures to ensure compliance 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
- Achieving 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 to utilize all rest days, public holidays, and paid annual leaves during their employment. Additionally, staff are offered other conditional leave days such as birthday leave, examination leave, marriage leave, compensation leave, etc. In 2022's review of HR Policy, Asia Financial added guidance on work-from-home arrangements. The Group and Management make every effort to ensure that employees have the utmost freedom and flexibility in arranging leave and work-from-home schedules.

(c) Equal Employment Opportunities

In 2022, 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 any colleagues, customers, and members of the public fairly, respectfully, and without discrimination.

(d) Staff Profile

As of 31st December 2022, AFH has 57 staff and AI has 272 staff respectively, totaling 329 staff and representing a 4.8% increase in headcount compared to the previous year.

No. of Employees by employment type (as at 31/12/2022)

	AFH	AI	Asia Financial
Full-time	57	265	322
Part-time	0	7	7
Total	57	272	329
% change from 2021	0%	+5.8%	+4.8%

No. of Employees by Geographical Location (as at 31/12/2022)

	AFH	AI	Asia Financial
Hong Kong	57	225	282
Mainland China	0	1	1
Macau	0	43	43
Taiwan	0	3	3
Total	57	272	329

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 31/12/2022)

	AFH	AI	Asia Financial
All Staff			
Male	27 (8.2%)	95 (28.9%)	122 (37.1%)
Female	30 (9.1%)	177 (53.8%)	207 (62.9%)
Total	57 (17.3%)	272 (82.7%)	329 (100%)
Management Level			
Male	5 (12.2%)	15 (36.6%)	20 (48.8%)
Female	5 (12.2%)	16 (39.0%)	21 (51.2%)
Total	10 (24.4%)	31 (75.6%)	41 (100%)
Board of Directors			
Male		6 (75%)	
Female		2 (25%)	
Total		8 (100%)	

Asia Financial recognizes the importance of diversity, including gender diversity, among all levels of the workforce. Employees are recruited and promoted based on merit and objective criteria including, but not limited to, gender, age, cultural and educational background, race, professional experience, skills, knowledge, length of service and other factors that are relevant to their position and responsibilities. Nonetheless, the Company strictly adheres to our EEO Policy to ensure all employees and candidates are treated fairly regardless of race, colour, descent, national or ethnic origins, sex, marital status, pregnancy, breastfeeding, disability, or family status.

Asia Financial's current distribution of gender is slightly more female distributed across all levels of employees and is well-balanced between male and female at the management level. All our positions are filled by qualified individuals with the Company keeping gender diversity in mind during recruitment stages in order to match the best candidate for every positions.

No. of Employees by Age Group** (as at 31/12/2022)

	AFH	AI	Asia Financial
Below 30	4	52	56 (17.2%)
30-40	11	70	81 (24.9%)
41-50	8	68	76 (23.4%)
51 and above	34	78	112 (34.5%)
Total	57	268	325 (100%)

* Excludes employees in Mainland China and Taiwan

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

E. Working Environment (cont'd)

E1. Employment (cont'd)

(e) Staff Turnover (for the year 2022)

Turnover Rate by Geographic Location (%)			
	AFH	AI	Asia Financial
Hong Kong	19.3%	10.2%	12.1%
Mainland China	N/A	0%	0%
Macau	N/A	2.3%	2.3%
Taiwan	N/A	0%	0%

Turnover Rate Breakdown for Hong Kong Employees Only (%)			
	AFH	AI	Asia Financial
By Gender			
Male	22.2%	9.3%	12.4%
Female	16.7%	10.8%	11.8%
Total	19.3%	10.2%	12.1%
By Age Group			
Below 30	0.0%	18.6%	17.0%
30-40	27.3%	8.3%	11.3%
40-50	62.5%	14.5%	20.6%
51 and above	8.8%	3.0%	5.0%
Total	19.3%	10.2%	12.1%

For reference, the overall employee turnover rate in Hong Kong in 2022 is estimated to be 18.6% according to The 2022 Guangdong-Hong Kong-Macao Greater Bay Area (HKSAR) Pay and Benefits Survey. Asia Financial's turnover rate is similar to Hong Kong's on average and mostly involved staff pursuing better job opportunities.

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 2022 (as well as for the past 3 years) with zero work-related injuries and/or fatalities, and zero workdays were lost due to work-related injuries and/or fatalities.

Asia Financial has initiated the following measures in 2022 to ensure employees' working environment is safe and optimal:

- Quarterly deep cleaning of carpets
- Cleaned air ducts for better air circulation
- Upgraded lighting equipment to LED to ensure employees work under proper and sufficient lighting

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 2023. 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.

(c) COVID-19 Response

Since the beginning of COVID-19 pandemic in early February 2020, Asia Financial has adopted measures to minimize staff's risk of exposure and has adhered to all government guidelines and protocols. As the government began to ease COVID-19 restrictions by the end of 2022, Asia Financial continues to adapt our COVID-19 protocols to reflect the government's changes while continuing to keep our working environment safe for all employees, some examples include:

- Staff are required to wear protective face masks within the office premises;
- Staff are encouraged to observe social distancing and avoid unnecessary business travel, in-person meetings with external parties, lunches, and entertainment;
- Upon entering the office, staff should have their temperature checked and clean their hands with hand sanitizer provided at the reception counter;
- Mandatory RAT tests regularly; and
- Accommodating sick leave or work-from-home policy for staff who test positive.

E. Working Environment (cont'd)

E2. Health and Safety (cont'd)

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

COVID-19 Vaccination rate (%) (HK staff only) (as at 31/12/2022)			
	AFH	AI	Asia Financial
2nd Dose	100%	97.8%	98.2%
3rd Dose	100%	99.0%	99.2%

COVID-19 Quarantine/Infections Figures (HK staff only) (for year 2022)			
	AFH	AI	Asia Financial
No. of COVID-19 Infections	29	118	147
No. of Quarantine Days (sick leave)	191	930	1,121
No. of Quarantine Days (work-from-home)	257	482	739

In 2021, Asia Financial set a goal to keep the number of quarantine days in 2022 to the same level as 2021 (2021 figure: 84.5 quarantine days). Nonetheless, due to the surge of COVID-19 cases during the 5th wave in 2022, the number of quarantine days have exceeded our goal. Since the government has begun to ease COVID-19 restrictions and adjusted quarantine procedures at the end of 2022, Asia Financial will no longer set goals nor report COVID-19 infections and quarantine days in 2023.

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. In 2022, we have extended allowances to cover professional fees and examination fees that are relevant to their career development.

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:

- Focus on Mental Health Awareness in the Hong Kong Insurance Industry
- Financial Reporting Webinar Series: IFRS Sustainability Standards – The climate-related and general disclosure prototypes
- People Risk: The Future of Work in Hong Kong
- Internal Control and the Importance of Corporate Governance

E. Working Environment (cont'd)

E3. Development and Training (cont'd)

Training statistics for the year 2022 are as follows:

Training Statistics By Gender (HK staff only)			
	AFH	AI	Asia Financial
% Employees Trained	84.2%	100%	96.8%
% Male Employees Trained	81.5%	100%	95.5%
% Female Employees Trained	86.7%	100%	97.6%
Average Training Hours Completed per Employee	6.25 hours	16.84 hours	14.70 hours
Average Training Hours Completed per Male Employee	5.22 hours	17.40 hours	14.46 hours
Average Training Hours Completed per Female Employee	7.18 hours	16.49 hours	14.85 hours

Training Statistics By Employee Category (HK staff only)				
		AFH	AI	Asia Financial
% Employees Trained	Senior Management	100%	100%	100%
	Middle Management	92.9%	100%	98.6%
	General Staff	75.8%	100%	95.4%
	Overall	84.2%	100%	96.8%
Average Training Hours Completed per Employee	Senior Management	12.53 hours	22.33 hours	19.68 hours
	Middle Management	7.77 hours	19.14 hours	16.90 hours
	General Staff	3.71 hours	14.85 hours	12.74 hours
	Overall	6.25 hours	16.84 hours	14.70 hours

Asia Financial has set a goal to increase average training hours by 25% in 2022 compared to 2021 (average training hours in 2021 was 16.4 hours per employee), but is unable to meet this goal with 14.70 average training hours per employee in 2022, a 10% decrease compared to 2021 despite an increase in overall percentage of staff trained. This could partly be due to impacts from the 5th wave of COVID-19 with increasing number of sick leave days and work-from-home days preventing staff from attending training sessions.

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.

E. Working Environment (cont'd)

E4. Labour Standards (cont'd)

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

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, AI 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.

AI has provided net claims reserve of HK\$115.7 million up to 31st December, 2022 and incurred net claims expense of HK\$7.9 million in relation to climate change for the period.

Currently we are assessing the impact continuously and 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.

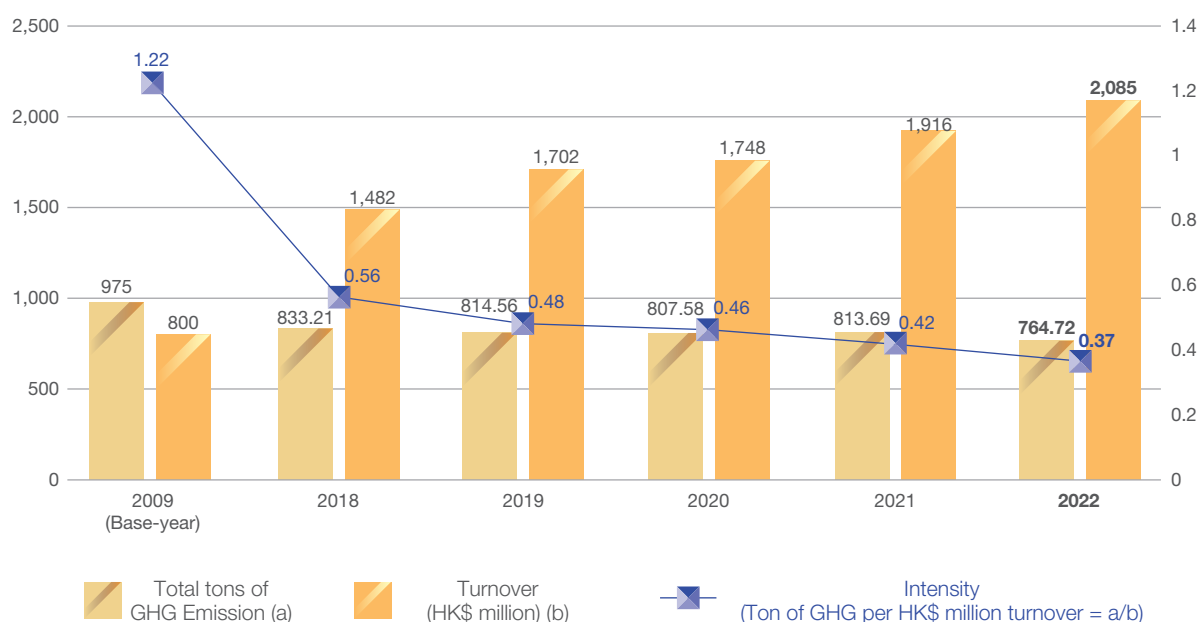
G. Environmental (cont'd)

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

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.

Asia Financial GHG Emissions Intensity						
2009 (Base-year)	2018	2019	2020	2021	2022	
Total tons of GHG emission (a)	975	833.21	814.56	807.58	813.69	764.72
Turnover (HK\$ million) (b)	800	1,482	1,702	1,748	1,916	2,085
Intensity (ton of GHG per HK\$ million turnover = a/b)	1.22	0.56	0.48	0.46	0.42	0.37

Asia Financial GHG Emission Intensity



G. Environmental (cont'd)

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

As a result of organic growth, Asia Financial's total revenue reached HK\$2,085 million in 2022, an increase of 160.6% from the base-year 2009. Although increase in business activities inevitably increased some categories of carbon emission, such as overseas business travels, we were able to continually reduce overall GHG emission by 21.6% from 975 to 764.72 tons of CO₂e during 2009-2022. Asia Financial reached 2022's goal with GHG emission intensity in 2022 at 11.9% less than 2021 levels. Asia Financial is arranging carbon neutral through purchasing Carbon Credits from CLP and offsetting 764.72 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").

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 2022 carbon emission data are as follows:

Greenhouse Gas ("GHG") Emissions (tons CO ₂ equivalent)			
	AFH	AI	Asia Financial
Scope 1: Unleaded petrol & gas oil combustion	61.19	37.24	98.43
Scope 2: Purchased electricity	112.66	467.95	580.61
Scope 3: Overseas business travel, paper waste	28.05	57.63	85.68
Total	201.90	562.82	764.72

Types of Emissions and Respective Emission Data*			
	AFH	AI	Asia Financial
Nitrogen Oxides ("NO _x ") emissions (g)	6,003.12	7,284.48	13,287.60
Sulphur Oxides ("SO _x ") emissions (g)	330.95	248.27	579.22
Particular Matter ("PM") emissions (g)	442.00	536.34	978.34

*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?" issues 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	Asia Financial
Non-hazardous waste	Our non-hazardous waste mainly comes from disposal of paper waste at landfills.		
	-2.84 tons CO ₂ equivalent	55.80 tons CO ₂ equivalent	52.96 tons CO₂ equivalent
	-0.05 tons CO ₂ equivalent per staff	0.24 tons CO ₂ equivalent per staff	0.19 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	Asia Financial
% with Recycled Content	118.65%	44.28%	54.10%
Total Paper Recycling	3,765 kg	9,239 kg	13,004 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

In 2022, Asia Financial has replaced T5 fluorescent lamps with 21W LED lighting system at our main office. It is expected to reduce the Company’s carbon emission from electricity used in the long-term, and employees can work under brighter lighting.

(c3) Curbing or eliminating non-essential business travel

As COVID-19 restrictions began to ease at the end of 2022, business travel is expected to return to pre-COVID-19 levels as the Company’s business continues to grow. However, Management and staff will eliminate non-essential travels and opt for video conferencing options whenever feasible in order to reduce carbon emissions from 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.

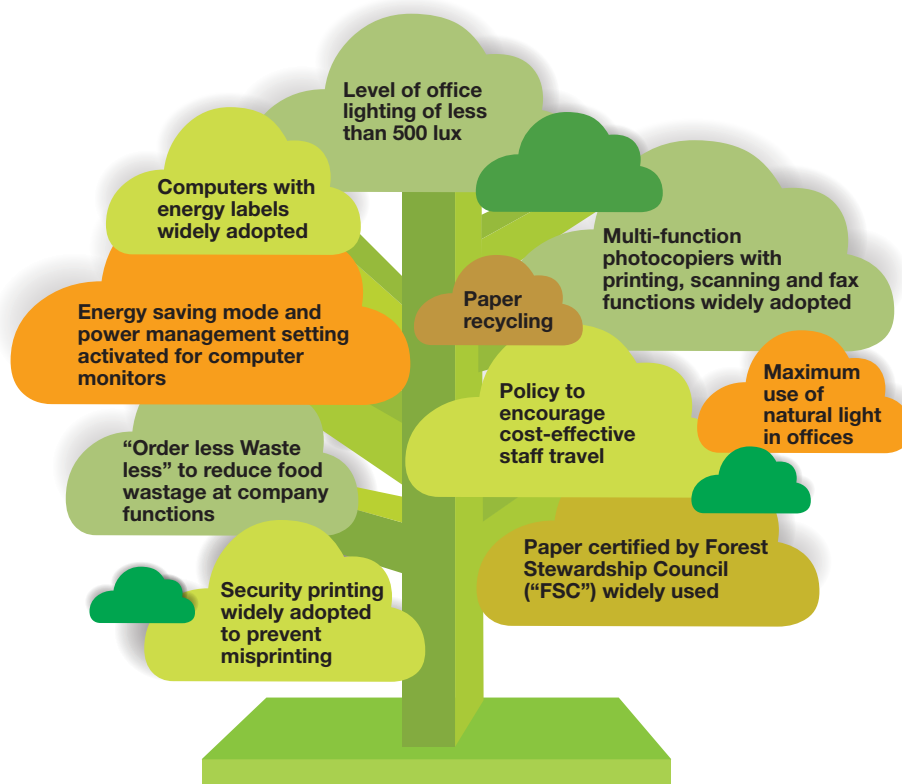
(c5) *Printing efficiency project to reduce paper waste*

AI 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, AI 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 are 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	Asia Financial
Total Electricity Consumption (kWh)	135,595.00	557,073.36	692,668.36
Total Unleaded Petrol Consumption (Litres)	11,232.58	13,752.31	24,984.89
Total Gas Oil Consumption (Litres)	10,300	0	10,300
Energy Consumption Intensity (tons CO ₂ equivalent per staff)	3.05	2.22	2.41

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 11,033 kg in 2022.

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 2022, 3 customer complaints were made concerning products and services provided by AI. 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 2022.

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.

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 2022, the Group contributed a total of HK\$6,564,000 (mainly through donations and sponsorships) towards the support of non-profit organizations both local and overseas. Respectively, AFH contributed HK\$2,818,000 and AI contributed HK\$3,746,000. This amount represents a decrease of 61% from the prior year as fundraising activities in the last year were significantly impacted by COVID-19.

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 encourage volunteering 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 staff members 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 2022 to bring love and care to senior citizens. Our volunteer hours as a group in 2022 decreased by 62% compared to 193 volunteer hours in 2021, which was due to less organized activities during the 5th wave of COVID-19 in Hong Kong.

Volunteer Service Statistics for 2022			
	AFH	AI	Asia Financial
Total number of volunteers	0	37	37
Total service hours	0	74 hours	74 hours

J. Green Finance

Up to 31st December, 2022, Asia Financial had invested \$74.1mil (market value as of 31st December, 2022 is \$67.4mil) on green innovation stocks, such as electric vehicles, renewable energy, and environmental investment themes, which come down to additional investment of \$24.1mil from January to December 2022. The reason that Asia Financial was unable to meet 2022's goal of additional \$50mil investment is due to market volatility and the Company's prudent investment strategy.

Notably, the EV sector has underperformed in 2022 similarly to the S&P Kensho Electric Vehicle Index which dropped 44.5% over the period because of rising interest rates and relatively high valuations from the prior year. Furthermore, mark-to-market unrealized losses were also sustained in environmental investments focused on water management that also dropped closely to the S&P Global Water Index which fell 22.7% in 2022 as the economic slowdown shifted investment sentiment away from growth oriented green concepts to more value themes.

K. 2023 ESG Targets

K1. 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.

K2. Health & Safety – COVID-19

As COVID-19 restrictions and arrangements continues to ease, Asia Financial will not report vaccination and quarantine data beginning in 2023.

K3. Impact of Climate Change

AI 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.

AI 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.

K4. Training

In 2023, we aim to increase training hours by 25% compared to 2022 as COVID-19's impact continues to lessen. The Company aims to organize training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

K5. Volunteer

We aim to increase volunteer hours by at least 10% compared to 2022. Asia Financial will encourage staff to participate in volunteer activities, either through Company-organized programmes or during staff's personal time.

K6. 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.

L. 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 Board has established purpose, value and strategies of the Company which is available on the “Vision, Strategies and Core Values” section of the Company’s website. These Vision, Strategies and Core Values are aligned with the Company’s culture that is instilled and continually reinforced across the values of acting lawfully, ethically and responsibly. All directors are acting with integrity to translate such culture into reality through concrete action and to re-instil and reaffirm the values of acting lawfully, ethically and responsibly through education and training regularly. The Board has also set up policies and systems (see “Anti-Corruption” section of the Environmental, Social and Governance Report) that promote and support anti-corruption laws and regulations.

The Board has applied with the principles 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”) and has adopted various measures, particulars as set out in this report, to ensure that a high standard of corporate governance is maintained.

The Company has complied with all the applicable code provisions set out in the CG Code throughout the year ended 31st December, 2022, except a deviation from CG Code C.2.1 which stipulates, inter alia, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Particulars of such deviation and the considered reason for the deviation are set out under the section headed “Chairman and President” in this report.

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, 2022.

Board of Directors

Board Composition

The Board currently comprises 8 members, consisting of 3 executive directors (including the Chairman who concurrently act as 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 in the Report of the Directors 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.

Board of Directors (cont'd)

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.

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 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 (also the Board Diversity Policy (see section headed "Diversity" in this report)), 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, inter alia, determining the Group's overall corporate objectives, business strategies and operational policies; maintaining a high standard in the integrity and effectiveness of risk management and internal control systems within the Group; monitoring and controlling the Group's operating and financial performance; maintaining effective oversight over the management; and ensuring the Group's operations are conducted prudently and complied with specific corporate governance requirements, environmental, social and governance reporting guidelines and also appropriate framework of laws and regulatory guidelines.

The Board has delegated the daily operations and management of the Company to the Executive Committee comprising all executive directors. The responsibilities of the Executive Committee includes implementing the laid down policies as determined by the Board, ensuring operations of the Group are complied with all statutory requirements, industry practices, codes or guidelines, and overseeing the Group's operational and financial performance in accordance with the directions of the Board.

Board of Directors (cont'd)

Chairman and President

CG Code C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company has appointed a President instead of a Chief Executive. The division of responsibilities between the Chairman and President of the Company has been clearly established and set out in writing. The roles of Chairman and President has been separated until the passing away of Dr. CHAN Yau Hing Robin, the late Chairman of the Company. Mr. CHAN Bernard Charnwut ("Mr. Bernard Chan") has been appointed as Chairman from 20th April, 2022 and since then concurrently acts as Chairman and President of the Company.

The Board considers that such deviation will not impair the balance of power and authority as it is ensured by the operations and governance of the Board which comprises experienced and high calibre individuals.

In allowing the two positions to be occupied by the same person, the Board has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Based on the experience and qualification of Mr. Bernard Chan, the Board believes that the vesting of two roles to Mr. Bernard Chan will continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies and is beneficial to the Company and in the interests of its shareholders. The Board will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

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 (and 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, 2022. 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 Independence

The Board of the Company comprises executive directors, NEDs and INEDs. To facilitate independence of the Board, the Company has established mechanisms in place to ensure independent views and input are available to the Board, amongst which, INEDs represented at least one-third of the total number of directors and all the Board committees including Nomination Committee and Remuneration Committee are chaired by INEDs and comprise a majority of INEDs. The Company has vigorous selection, nomination and appointment/re-appointment process for INEDs (and other directors). Assessment factors include but not limited to the independence criteria of the Listing Rules, sufficiency of time commitment and other factors with reference to the Bye-laws, the Nomination Policy and the Board Diversity Policy of the Company. To ensure INEDs maintain objectivity and independence, INEDs receive fixed remuneration without performance-related elements for their roles as members of the Board and chairperson/members of the Board committees to avoid bias in their decision-making process. Such remuneration is subject to annual review by the Remuneration Committee and the Board and approval by the shareholders of the Company. To encourage INEDs to express their independent views on matters relating to the Group and its operations, in addition to informal communication between the Chairman and the INEDs, meetings have been scheduled with the INEDs, in the absence of other directors, at least annually. Moreover, independent professional advices may be sought, where necessary, at the Company's expense which not only help the directors to perform their duties but also help the Board to obtain independent views. The independence of all INEDs are reviewed, assessed and confirmed by the Nomination Committee on an annual basis to ensure INEDs are still independent. The Board has reviewed the implementation and effectiveness of such mechanisms and considered it is still effective.

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 other electronic means.

During the year 2022, the Company held five 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;

Board of Directors (cont'd)

Board Meetings (cont'd)

- 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 the new Chairman of the Board of the Directors and Chairman of the Executive Committee of the Company, and approved the issue of announcement in relation to the passing away of chairman and appointment of new chairman;
- 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;
- approved the re-appointment of internal audit co-sourcing partner and relevant fee;
- 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;
- reviewed and approved the Company's purpose, value and strategy;
- approved a new share certificate as the share certificate of the Company to supersede and replace the existing share certificate;
- endorsed the adoption of the amended and restated Bye-laws for shareholders' approval at the AGM, and approved the issue of relevant announcement; and
- approved the profit warning announcement and the release to the public.

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 to the Board.

The attendance record of each director at the Board meetings held in 2022 and the 2022 AGM of the Company are set out below:

Name of director	Board meetings	2022 AGM
<i>Executive Directors:</i>		
CHAN Yau Hing Robin (<i>late Chairman</i>) ^(Note 1)	0/1	0/0
CHAN Bernard Charnwut (<i>Chairman and President</i>) ^(Note 2)	5/5	1/1
TAN Stephen	5/5	1/1
WONG Kok Ho	5/5	1/1
<i>NEDs:</i>		
KAWAUCHI Yuji	5/5	1/1
OGURA Satoru	4/5	1/1
<i>INEDs:</i>		
LAI KO Wing Yee Rebecca	5/5	1/1
SHUEN LEUNG Lai Sheung Loretta*	3/3	1/1
AU YANG Chi Chun Evan	5/5	1/1
NGAN Edith Manling [#]	2/2	0/0

* Retired on 20th May, 2022

[#] Appointed on 20th May, 2022

Notes:

1. Dr. CHAN Yau Hing Robin (late Chairman) passed away on 18th April, 2022.
2. Mr. CHAN Bernard Charnwut was appointed as the Chairman from 20th April, 2022 and since then concurrently acts as Chairman and President of the Company.

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 2022, no claim under the insurance policy was made.

Board of Directors (cont'd)

Directors' Training

All directors are required to keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. During the year, all directors were provided with the monthly management accounts of the Group as well as 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 2022, the Company organised an in-house webinar on the topic of "Training on Environmental, Social and Governance (ESG) Reporting" conducted by a professional body for directors at the Company's expense. Written materials of the webinar 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.

According to the training records provided by all current directors of the Company as at 31st December, 2022, which had been reviewed by the Compliance Committee in March 2023, all directors have complied with Code Provision C.1.4 of the CG Code 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 Bernard Charnwut (<i>Chairman and President</i>)	✓	✓
TAN Stephen	✓	✓
WONG Kok Ho	✓	✓
<i>NEDs:</i>		
KAWAUCHI Yuji	✓	✓
OGURA Satoru	✓	✓
<i>INEDs:</i>		
LAI KO Wing Yee Rebecca	✓	✓
AU YANG Chi Chun Evan	✓	✓
NGAN Edith Manling [#]	✓	✓

[#] Appointed on 20th May, 2022

Diversity

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.

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, 2022 is as follows:

		Number of directors	
Designation	Executive Director <i>(Note 1)</i>	3	37.5%
	NED	2	25.0%
	INED	3	37.5%
Gender	Male	6	75.0%
	Female	2	25.0%
Age group	71-80	1	12.5%
	61-70	2	25.0%
	51-60	5	62.5%
Nationality	Chinese	6	75.0%
	Non-Chinese	2	25.0%
Directorship with Asia Financial (years)	Over 20	2	25.0%
	10-19	2	25.0%
	1-9	3	37.5%
	Less than 1	1	12.5%
Other listed company directorships	6	1	12.5%
	4	1	12.5%
	3	1	12.5%
	1	3	37.5%
	0	2	25.0%

Note:

1. Senior Management consist of 3 members representing all the executive directors of the Company.

The Company recognizes the importance of diversity including gender diversity at the Board and workforce levels. The Company has adopted the requirement of the Listing Rules that at least a director of a different gender be appointed on the board no later than 31st December, 2024 as the measureable objective for achieving gender diversity at the Board level. Currently, the Company has two female INEDs and has met such requirement. Information in relation to the gender diversity in the workforce are set out in the "Employment" section of the Environmental, Social and Governance Report of this annual report.

Corporate Governance Report

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.

Executive Committee

The Board has delegated the day-to-day management of the Company's business to the Executive Committee which consists of all 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 2022, 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>late Chairman</i>) ^(Note 1)	1/3
CHAN Bernard Charnwut (<i>Chairman and President</i>) ^(Note 2)	11/11
TAN Stephen	11/11
WONG Kok Ho	11/11

Notes:

1. Dr. CHAN Yau Hing Robin (late Chairman) passed away on 18th April, 2022.
2. Mr. CHAN Bernard Charnwut was appointed as the Chairman from 20th April, 2022 and since then concurrently acts as Chairman and President of the Company.

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.

Delegation by the Board (cont'd)

Remuneration Committee (cont'd)

During the year 2022, the Remuneration Committee held two meetings. 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;
- ensured no director or any of his associates is involved in deciding his own remuneration;
- conducted annual review, endorsement/approval of relevant policies/guidelines/terms of reference with reference to the Committee's scope of work and made recommendations to the Board where applicable; and
- submitted a summary report on the resolved issues and recommendations to the Board.

The attendance record of each member at the Remuneration Committee meeting held in 2022 is set out below:

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

* Ceased to be member on 20th May, 2022

[#] Appointed on 20th May, 2022

Delegation by the Board (cont'd)

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 (and 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.

During the year 2022, the Nomination Committee held two meetings and one written resolution was passed by all members of the Nomination Committee. 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;
- considered and recommended to the Board of the appointment of the Chairman of the Board of Directors and Chairman of the Executive Committee of the Company to fill the vacancy of Chairman caused by the passing away of the late Chairman;
- conducted annual review, endorsement/approval of relevant policies/guidelines/terms of reference with reference to the Committee's scope of work and made recommendations to the Board where applicable; and
- submitted summary reports on the resolved issues and recommendations to the Board.

Delegation by the Board (cont'd)

Nomination Committee (cont'd)

The attendance record of each member at the Nomination Committee meetings held in 2022 is set out below:

Name of member	Number of meeting attended/held
<i>INEDs:</i>	
AU YANG Chi Chun Evan (<i>Chairperson</i>)	2/2
LAI KO Wing Yee Rebecca	2/2
SHUEN LEUNG Lai Sheung Loretta*	2/2
NGAN Edith Manling#	0/0
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	2/2
WONG Kok Ho	2/2

* Ceased to be member on 20th May, 2022

Appointed on 20th May, 2022

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.

Corporate Governance Report

Delegation by the Board (cont'd)

Compliance Committee (cont'd)

During the year 2022, the Compliance Committee held six meetings. The summary of works performed by the Compliance Committee were as follows:

- received report on progress on the main ESG targets for 2022;
- 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;
- conducted annual review, endorsement/approval of relevant policies/guidelines/terms of reference with reference to the Committee's scope of work and made recommendations to the Board where applicable;
- 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 on the resolved issues and recommendations to the Board.

The attendance record of each member at the Compliance Committee meetings held in 2022 is set out below:

Name of member	Number of meetings attended/held
<i>INEDs:</i>	
AU YANG Chi Chun Evan (<i>Chairperson</i>)	6/6
LAI KO Wing Yee Rebecca	6/6
SHUEN LEUNG Lai Sheung Loretta*	3/3
NGAN Edith Manling [#]	3/3
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	6/6
TAN Stephen	6/6

* Ceased to be member on 20th May, 2022

[#] Appointed on 20th May, 2022

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 2022, the Audit Committee held four meetings, all of which were in the presence of the external auditor. In addition, the Audit Committee met 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;
- conducted annual review, endorsement/approval of relevant policies/guidelines/terms of reference with reference to the Committee's scope of work and made recommendations to the Board where applicable; 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 2022 is set out below:

Name of member	Number of meetings attended/held
<i>INEDs:</i>	
SHUEN LEUNG Lai Sheung Loretta (<i>Chairperson</i>)*	1/1
NGAN Edith Manling (<i>Chairperson</i>)#	3/3
LAI KO Wing Yee Rebecca	4/4
AU YANG Chi Chun Evan	4/4

* Ceased to be Chairperson and member on 20th May, 2022

Appointed on 20th May, 2022

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.

Delegation by the Board (cont'd)

Risk Committee (cont'd)

During the year 2022, 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;
- conducted annual review, endorsement/approval of relevant policies/guidelines/terms of reference with reference to the Committee's scope of work and made recommendations to the Board where applicable; and
- submitted summary reports on the resolved issues and recommendations to the Board.

The attendance record of each member at the Risk Committee meetings held in 2022 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
SHUEN LEUNG Lai Sheung Loretta*	1/1
AU YANG Chi Chun Evan	3/3
NGAN Edith Manling [#]	2/2
<i>Executive Directors:</i>	
CHAN Bernard Charnwut	3/3
WONG Kok Ho	3/3

* Ceased to be member on 20th May, 2022

[#] Appointed on 20th May, 2022

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 HK\$'000
Audit services	4,051
Non-audit services*	977
Total:	5,028

* 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, 2022, 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, 2022 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, 2022, 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, 2022 are set out in the Independent Auditor's Report 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, ERM risk, insurance risk, capital management risk, operational risk, compliance risk, human resources risk, direct 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 the President and is responsible for advising the Board through the Chairman and 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 the Board for shareholders' approval at the Company's AGM.

Information relating to the remuneration of directors on a named basis for the year ended 31st December, 2022 is set out in note 7 to the financial statements.

Constitutional Documents

The Company adopted the amended and restated Bye-laws ("New Bye-laws") during the year ended 31st December, 2022 while there was no change to the Company's Memorandum of Association during the year ended 31st December, 2022.

Details of the major changes brought about by the adoption of the New Bye-laws are set out in the circular of the Company dated 19th April, 2022 and the adoption of the New Bye-laws was approved by way of a special resolution by the shareholders of the Company at the 2022 AGM. A copy of the latest consolidated version of the Memorandum of Association and the New Bye-laws (also known as amended and restated Bye-laws) is available on the websites 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/endorsed by the Executive Committee and the Audit 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, and also includes channels for shareholders to communicate their views on various matters affecting the Company. The Shareholders Communication Policy is reviewed by the Compliance Committee on an annual basis. Last review was undertaken in March 2023 and the effectiveness of the policy was confirmed.

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, 20th May, 2022. 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 or about Friday, 19th May, 2023, the notice of which will be set out in the circular to shareholders to be sent together with this annual report on or about 18th April, 2023.

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) 2869 1609

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 2022 and up to the date of this annual report as required by the Listing Rules.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31st December, 2022.

Principal Activities

The principal activity of the Company is investment holding directly and indirectly through its subsidiaries and associates (the “Group”). 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 2022; 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 4 to 55 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, 2022 and the Group’s financial position at that date are set out in the financial statements on pages 74 to 180.

An interim dividend of HK1.5 cents per ordinary share, totalling approximately HK\$14,070,000, was paid on 7th October, 2022.

The directors recommended the payment of a final dividend of HK3.5 cents per ordinary share, totalling approximately HK\$32,759,000 in respect of the year, which will be payable on or about 9th June, 2023 in cash to shareholders on the register of members of the Company on 31st May, 2023. This recommendation has been incorporated into the financial statements as an allocation of the retained profits within the equity section in the consolidated 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.

Purchase, Redemption or Sale of Listed Securities of The Company

During the year ended 31st December, 2022, a subsidiary of the Company repurchased a total of 2,798,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at an aggregate purchase price of approximately HK\$9,387,000 (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\$	
March 2022	612,000	3.60	3.50	2,172
April 2022	58,000	3.45	3.40	199
June 2022	504,000	3.49	3.38	1,739
July 2022	92,000	3.40	3.36	311
August 2022	46,000	3.42	3.39	157
September 2022	416,000	3.33	3.15	1,368
October 2022	220,000	3.14	3.01	672
November 2022	732,000	3.25	3.01	2,362
December 2022	118,000	3.53	3.39	407
	<u>2,798,000</u>			<u>9,387</u>

Subsequent to the end of the year and up to the date of this report, a total of 486,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$1,691,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 10th February, 2023. Details of the ordinary shares repurchased on the Stock Exchange after the end of 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 2023	486,000	3.49	3.47	1,691
	<u>486,000</u>			<u>1,691</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 935,984,000.

Report of the Directors

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 2021 and 2022 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 asset 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, 2022 and up to the date of this report.

Distributable Reserves

At 31st December, 2022, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$3,187,356,000, of which HK\$32,759,000 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,			
	2022 HK\$'000	2021 HK\$'000 (Restated)	2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)
Revenue	2,085,174	1,916,355	1,747,918	1,702,009	1,482,935
Profit for the year	199,911	677,471	362,456	417,563	268,667
Profit for the year attributable to:					
Equity holders of the Company	199,911	677,618	355,461	418,960	267,262
Non-controlling interests	–	(147)	6,995	(1,397)	1,405
	199,911	677,471	362,456	417,563	268,667

Assets, liabilities and non-controlling interests

		31st December,			
	2022 HK\$'000	2021 HK\$'000 (Restated)	2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000 (Restated)
Total assets	15,640,828	15,439,105	16,013,170	14,964,404	13,694,674
Total liabilities	(5,148,062)	(5,015,351)	(4,861,298)	(4,539,856)	(4,125,836)
Non-controlling interests	–	–	(54,881)	(47,329)	(44,568)
	10,492,766	10,423,754	11,096,991	10,377,219	9,524,270

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.	(Passed away and ceased to act on 18th April, 2022)
CHAN Bernard Charnwut*, G.B.M., G.B.S., J.P.	(Appointed as Chairman on 20th April, 2022)
TAN Stephen*	
WONG Kok Ho*	
KAWAUCHI Yuji**	
OGURA Satoru**	
LAI KO Wing Yee Rebecca***, J.P.	
SHUEN LEUNG Lai Sheung Loretta***	(Retired on 20th May, 2022)
AU YANG Chi Chun Evan***	
NGAN Edith Manling***	(Appointed on 20th May, 2022)

* Executive directors

** Non-executive directors

*** Independent non-executive directors

In accordance with Bye-law 84(1) of the Company's Bye-laws, Mr. TAN Stephen, Mr. WONG Kok Ho, Mr. AU YANG Chi Chun and Mrs. LAI KO Wing Yee Rebecca will retire by rotation at the forthcoming annual general meeting (the "2023 AGM") and all of them, being eligible, will offer themselves for re-election except Mrs. LAI KO Wing Yee Rebecca 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 2023 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, 2022 is set out in note 7 to the financial statements.

With effect from 1st January, 2023, the monthly salary of Mr. CHAN Bernard Charnwut and Mr. TAN Stephen has been changed from HK\$423,690 to HK\$440,640 and from HK\$235,500 to HK\$244,920 respectively.

Report of the Directors

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, 2022, 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 Bernard Charnwut	1,912,680	–	578,829,712 ⁽²⁾⁽³⁾	580,742,392	62.01
WONG Kok Ho	810,000	430,000	–	1,240,000	0.13

Notes:

- (1) Based on 936,588,000 shares in issue as at 31st December, 2022.
- (2) Mr. CHAN Bernard Charnwut was deemed to be interested in 569,999,712 shares. Out of which, (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 Mr. CHAN Bernard Charnwut.
- (3) Mr. CHAN Bernard Charnwut was also 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, Mr. WONG Kok Ho has non-beneficial personal equity interests in a subsidiary 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, 2022, 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.

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, 2022, 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	60.86
Claremont Capital Holdings Ltd	(2)	566,069,712	60.44
Bangkok Bank Public Company Limited		89,988,236	9.61
Sompo Holdings, Inc.	(4)	91,759,753	9.80
Sompo Japan Insurance Inc.	(4)	91,759,753	9.80
Aioi Nissay Dowa Insurance Company, Limited		52,550,175	5.61

Notes:

- (1) Based on 936,588,000 shares in issue as at 31st December, 2022.
- (2) These shares have been included in the interest disclosure of Mr. CHAN Bernard Charnwut 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, 2022, 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.

Report of the Directors

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, 2022.

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:

Mr. CHAN Bernard Charnwut (former name: CHAN Chi Sze Bernard), G.B.M., G.B.S., J.P., aged 58, has been an executive director of the Company since March 1997 and became President of the Company in March 2005, and appointed as Chairman of the Company since April 2022. He also serves as a member of the remuneration committee, the nomination committee, the compliance committee and the risk committee of the Company. Mr. Chan holds directorships in most of the subsidiaries of the Company. He has been an executive director of Asia Insurance Company, Limited ("Asia Insurance"), a wholly-owned subsidiary of the Company, since July 1990 and became Chairman of Asia Insurance in February 2020. He also serves as a member of the audit committee and the risk committee of Asia Insurance. Mr. Chan is also the Chairman of AFH Charitable Foundation Limited. He graduated from Pomona College in California, U.S.A. Mr. Chan is an independent non-executive director of Yau Lee Holdings Limited, Chen Hsong Holdings Limited, China Resources Beer (Holdings) Company Limited, Cathay Pacific Airways Limited and CLP Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan is a director of Bumrungrad Hospital Public Company Limited, which is a company listed in Thailand, and a director of PICC Life Insurance Company Limited. He is currently the Chairman of M Plus Museum Limited and Hong Kong-Thailand Business Council, an Executive Vice Chairman of Our Hong Kong Foundation, the Chairperson of The Hong Kong Council of Social Service, a Trustee Emeritus of Pomona College, California U.S.A., and an adviser to Bangkok Bank (China) Company Limited. Mr. Chan had been a Deputy to The National People's Congress of the People's Republic of China from 2008 to 2023. He had been the Convenor of the Non-official Members of the Executive Council of the HKSAR from 2017 to 2022. Mr. Chan is the brother of Mr. TAN Stephen and a substantial shareholder (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company. He is also a director of certain substantial shareholders of the Company (including the President of Cosmos Investments Inc. and a director of Claremont Capital Holdings Ltd) within the meaning of Part XV of the SFO and a director of certain companies controlled by substantial shareholder of the Company.

Mr. TAN Stephen, aged 69, has been an executive director of the Company since 30th May, 2006 and has been working for the Group for 36 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 Managing Director 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 Governors 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. Mr. Tan is the brother of Mr. CHAN Bernard Charnwut. He is a director of certain substantial shareholders of the Company (including a director of Cosmos Investments Inc. and Claremont Capital Holdings Ltd) within the meaning of Part XV of the SFO and a director of certain companies controlled by substantial shareholder of the Company.

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

Executive Directors: (cont'd)

Mr. WONG Kok Ho, aged 75, 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 and 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.

Non-Executive Directors:

Mr. KAWAUCHI Yuji, aged 57, has been a non-executive director of the Company since 23rd March, 2018. Mr. Kawauchi is currently the Executive Vice President, Head of New Business in Asia etc. (excluding P&C Insurance) of Sampo Holdings, Inc. (a company listed on Japan Stock Exchange) which through its wholly-owned subsidiary, Sampo Japan Insurance Inc. ("Sampo Japan"), currently holds approximately 9.80% shareholding in the Company's issued share capital. Mr. Kawauchi is currently the Managing Executive Officer, General Manager of Global Business Department of Sampo Japan. 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 Sampo Japan). Mr. Kawauchi had served as the President and Managing Director of Sampo Holdings (Asia) Pte. Limited from April 2017 to April 2019. Mr. Kawauchi had been a director of Sampo Insurance (Thailand) Public Company Limited from 15th May, 2017 to 25th April, 2018. He was also an Executive Director of Berjaya Sampo Insurance Berhad (Malaysia) from April 2014 to April 2016. He had been a Non-Executive Director of Sampo International Holdings Ltd. from 1st January, 2020 to 1st October, 2022.

Mr. OGURA Satoru, aged 54, 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 5.61% 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 64, 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, the chairperson of the risk committee and a member of the audit committee 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.

Mr. AU YANG Chi Chun Evan, aged 51, 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, a member of the audit committee and the risk committee 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 serves on the boards 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, a member of the Fintech Advisory Group of the Securities and Futures Commission, and serves on the Innovation and Technology Advisory Committee of the Hong Kong Trade Development Council, the Transport Policy Committee of the Chartered Institute of Logistics and Transport, the Development Fund Committee of the Hong Kong Council of Social Service, the Advisory Council for Institute at Brown for Environment and Society for Brown University, as well as the Board of Advisors of Hong Kong 2050 is Now. In addition, Mr. Au Yang is a lecturer at the Hong Kong Academy of Politics and Public Policy. Prior to joining Animoca Brands, Mr. Au Yang was the Managing Director and Head of GLG International (Gerson Lehrman Group), a technology-enabled expert insight platform where he ran and grew its business spanning Europe, Middle East, Africa and 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 that, Mr. Au Yang worked 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.

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

Independent Non-Executive Directors: (cont'd)

Ms. NGAN Edith Manling, aged 58, has been an independent non-executive director of the Company since 20th May, 2022. Ms. Ngan 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, the chairperson of the audit committee and a member of the risk committee of Asia Insurance.

Ms. Ngan is currently an independent non-executive director of the boards of Blue Moon Group Holdings Limited ("Blue Moon"), Swire Pacific Limited and HKBN Ltd., all of which are listed on The Stock Exchange of Hong Kong Limited ("HKEX"), and also an independent non-executive director of Tencent Music Entertainment Group ("TME"), a company listed on both the New York Stock Exchange and the HKEX. She is the chairman of the audit committee and a member of the remuneration committee of Blue Moon, and a member of the audit committee and the compensation committee of TME. She is also the chairman of the ESG committee, and a member of the audit committee, the nomination committee and the remuneration committee of HKBN Ltd.

Ms. Ngan was an independent non-executive director of the board, the chair of the audit committee and a member of the risk committee of Blue Insurance Limited ("Blue") which she resigned with effect from 10th May, 2022. Blue is a regulated entity of the Hong Kong Insurance Authority.

Ms. Ngan has extensive experience in public and private financial and corporate management, governance and business development. Between 1996 to 2010, she held regional management positions in financial groups including Invesco, Principal and ABN AMRO. From 2010 to 2017, Ms. Ngan led educational and professional institutions at the Asia Society Hong Kong Centre, the Hong Kong Securities and Investment Institution, and RICS.

Ms. Ngan is also an active member of the community and serves on various investment committees of government funds. Ms. Ngan is a member of the Court of Lingnan University since 2019. She was the chairman of the Audit Committee of Lingnan University between 2014 and 2018 during her tenure as Council Member from 2012 to 2018. From 2021 to 2022, Ms. Ngan was a member of the Hong Kong SAR Government Standing Committee on Disciplined Services Salaries and Conditions of Service. From 2018 to 2021, Ms. Ngan was a member of the Hong Kong SAR Government Standing Committee on Civil Service Salaries and Conditions of Service and served as the Alternate Chair of the Pay Trend Survey Committee since 2019. She was awarded the Medal of Honour by the Hong Kong SAR Government in July 2014.

Ms. Ngan received her Bachelor of Science degree in industrial engineering and engineering management from Stanford University and is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

Employees and Remuneration Policy

The total number of employees of the Group was 329 at the end of the reporting period (2021: 314). 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\$6,151,000 (2021: HK\$16,203,000).

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, 2022 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

Chairman & President

Hong Kong, 27th March, 2023

Independent Auditor's Report



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 74 to 180, which comprise the consolidated statement of financial position as at 31st December, 2022, 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, 2022, 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.

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, 2022, the Group had general insurance claims liabilities of reported and incurred but not reported claims for the general insurance business of HK\$3,126 million in aggregate, representing 61% 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 past claims settlement trends to predict 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 specialists, the procedures we performed that addressed the key audit matter included, amongst others:

- Understood the Group's processes and methodologies for calculating the general insurance claims liabilities through inspection, inquiry or observation;
- Tested the design and operating effectiveness of key controls performed by management over the estimation process;
- Evaluated the key assumptions used in the valuation of the general insurance claims liabilities, by comparing to historical or market data and considering the features of specific insurance products; and
- Assessed the validity of liability adequacy tests by evaluating the key assumptions adopted in the context of the Group by comparison to historical or market data and considering the features of the specific insurance products.

Assessed the adequacy of related disclosures regarding general insurance claims liabilities.

Independent Auditor's Report

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, 2022, the Group had investments in various financial instruments, of which HK\$1,796 million and HK\$5,424 million, representing 11% and 35% 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 Level 3 assets where valuation techniques are applied in which unobservable inputs are used. 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:

- Understood the Group's valuation process through inspection, inquiry or observation; and
- Tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent model validation and approval.

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

- Evaluated the pricing model methodologies, and key unobservable inputs of selected financial instruments by comparing them with appropriate benchmarks;
- Evaluated the valuation of selected financial instruments by considering alternative valuation methodologies and assessing sensitivities to key inputs; and
- Validated the accuracy of arithmetical calculation in the pricing models.

Assessed the adequacy of related disclosures regarding fair value measurement of financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income.

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 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.

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, Taikoo Place,
979 King's Road
Quarry Bay, Hong Kong

27th March, 2023

Consolidated Statement of Profit or Loss

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
REVENUE	4, 26(a)	2,085,174	1,916,355
Gross premiums	4, 26(a)	1,986,058	1,784,844
Reinsurers' share of gross premiums	4, 26(b)	(708,039)	(649,097)
Net insurance contracts premiums revenue		1,278,019	1,135,747
Gross claims paid	27(a)	(728,919)	(813,693)
Reinsurers' share of gross claims paid	27(b)	258,886	362,674
Gross change in outstanding claims	27(c)	(181,854)	(141,927)
Reinsurers' share of gross change in outstanding claims	27(d)	50,523	18,328
Net claims incurred		(601,364)	(574,618)
Change in provision for unexpired risks		(10,000)	–
Commission income		163,676	151,652
Commission expense		(513,661)	(439,175)
Net commission expense		(349,985)	(287,523)
Management expenses for underwriting business		(134,217)	(103,368)
Underwriting profit		182,453	170,238
Dividend income		208,964	292,311
Realised gain/(loss) on investments		(101,477)	40,694
Unrealised gain/(loss) on investments		(67,468)	76,958
Interest income		81,852	53,637
Other income and gains/(losses), net		(31,931)	29,755
		272,393	663,593
Operating expenses		(149,604)	(172,319)
Finance costs	5	(130)	(85)
		122,659	491,189
Share of profits or losses of joint ventures	14	83,456	27,661
Share of profits or losses of associates		23,821	197,701
PROFIT BEFORE TAX	6	229,936	716,551
Income tax expense	9	(30,025)	(39,080)
PROFIT FOR THE YEAR		199,911	677,471

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

continued/...

Consolidated Statement of Profit or Loss

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
Attributable to:			
Equity holders of the Company		199,911	677,618
Non-controlling interests		–	(147)
		<u>199,911</u>	<u>677,471</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted			
– For profit for the year		<u>HK21.3 cents</u>	<u>HK71.9 cents</u>

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
PROFIT FOR THE YEAR		<u>199,911</u>	<u>677,471</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	(110,933)	(11,825)
Share of other comprehensive income of associates		(91,932)	14,470
Exchange differences on translation of foreign operations		<u>(340)</u>	<u>1,242</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(203,205)</u>	<u>3,887</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	149,235	(1,367,296)
Income tax effect	30	<u>42,335</u>	<u>140,560</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>191,570</u>	<u>(1,226,736)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(11,635)</u>	<u>(1,222,849)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>188,276</u></u>	<u><u>(545,378)</u></u>
ATTRIBUTABLE TO:			
Equity holders of the Company		188,276	(546,371)
Non-controlling interests		<u>—</u>	<u>993</u>
		<u><u>188,276</u></u>	<u><u>(545,378)</u></u>

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

Consolidated Statement of Financial Position

31st December, 2022

	Notes	31st December, 2022 HK\$'000	31st December, 2021 HK\$'000 (Restated)#	1st January, 2021 HK\$'000 (Restated)#
ASSETS				
Property, plant and equipment	12	187,249	188,702	194,232
Investment properties	13	243,100	264,100	257,500
Interests in joint ventures	14	587,347	637,436	515,444
Interests in associates	15	793,668	870,874	676,692
Due from associates	15	256,872	256,872	257,997
Held-to-collect debt securities at amortised cost	16	1,187,614	1,124,206	1,040,910
Equity investments designated at fair value through other comprehensive income	17	5,424,390	5,275,155	6,698,935
Pledged deposits	22	295,808	295,808	313,357
Loans and advances and other assets	18	256,237	165,468	153,702
Financial assets at fair value through profit or loss	19	1,796,491	1,677,659	1,341,716
Insurance receivables	20	231,788	215,444	231,385
Reinsurance assets	21	1,651,379	1,593,696	1,531,060
Cash and bank balances	22	2,728,885	2,873,685	2,800,240
Total assets		15,640,828	15,439,105	16,013,170

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

continued/...

Consolidated Statement of Financial Position

31st December, 2022

	Notes	31st December, 2022 HK\$'000	31st December, 2021 HK\$'000 (Restated)#	1st January, 2021 HK\$'000 (Restated)#
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Issued capital	23	936,588	939,966	946,620
Reserves	24	9,523,419	9,385,165	10,084,401
Proposed final dividend	10	32,759	98,623	65,970
		10,492,766	10,423,754	11,096,991
Non-controlling interests		—	—	54,881
Total equity		10,492,766	10,423,754	11,151,872
Liabilities				
Insurance contracts liabilities	25	4,499,512	4,208,542	3,935,104
Insurance payables	28	129,768	199,287	169,375
Due to associates	15	4,222	4,222	4,222
Other liabilities	29	285,933	328,282	304,552
Tax payable		33,753	33,280	69,637
Deferred tax liabilities	30	194,874	241,738	378,408
Total liabilities		5,148,062	5,015,351	4,861,298
Total equity and liabilities		15,640,828	15,439,105	16,013,170

CHAN Bernard Charnwut
Chairman & President

Tan Stephen
Executive Director

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31st December, 2022

	Attributable to equity holders of the Company														Non-controlling interest	Total
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000 (note 24)	Share based reserve HK\$'000	Contingency reserve HK\$'000	Fair value reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000		
At 1st January, 2021 as previously reported	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
Prior year adjustments (note 2.6)	-	-	-	-	-	(143,648)	-	(3,123)	-	-	-	239,323	-	92,552	-	92,552
At 1st January, 2021 as restated	946,620	(1,720)	560,531	2,549	106,187	3,815,055	141,570	7,893	2,427	513,240	111,401	4,825,268	65,970	11,096,991	54,881	11,151,872
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	677,618	-	677,618	(147)	677,471
Other comprehensive income for the year:																
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(1,227,876)	-	-	-	-	-	-	-	(1,227,876)	1,140	(1,226,736)
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)	-	15,722	-	-	-	-	-	14,470	-	14,470
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,242	-	-	-	-	-	1,242	-	1,242
Total comprehensive income for the year	-	-	-	-	-	(1,240,953)	-	16,964	-	-	-	677,618	-	(546,371)	993	(545,378)
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)	-	-	-	-
Transfer to contingency reserve	-	-	-	-	25,199	-	-	-	-	-	-	(25,199)	-	-	-	-
Release from contingency reserve	-	-	-	-	(30,235)	-	-	-	-	-	-	30,235	-	-	-	-
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 the 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*	2,569,451*	141,570*	24,857*	2,427*	513,240*	118,055*	5,350,949*	98,623	10,423,754	-	10,423,754

continued/...

Consolidated Statement of Changes in Equity

Year ended 31st December, 2022

	Attributable to equity holders of the Company													
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000 (note 24)	Share based reserve HK\$'000	Contingency reserve HK\$'000	Fair value reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1st January, 2022 as previously reported	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
Prior year adjustments (restated) (note 2.6)	-	-	-	-	-	(202,382)	-	(5,639)	-	-	-	251,513	-	43,482
At 1st January, 2022 as restated	939,966	(2,497)	560,531	5,215	101,367	2,569,461	141,570	24,857	2,427	513,240	118,055	5,350,949	98,623	10,423,754
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	199,911	-	199,911
Other comprehensive income for the year:														
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	191,570	-	-	-	-	-	-	-	191,570
Share of other comprehensive income of joint ventures (note 14)	-	-	-	-	-	(110,933)	-	-	-	-	-	-	-	(110,933)
Share of other comprehensive income of associates	-	-	-	-	-	(946)	-	(90,998)	-	-	-	-	-	(91,932)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(340)	-	-	-	-	-	(340)
Total comprehensive income for the year	-	-	-	-	-	79,691	-	(91,326)	-	-	-	199,911	-	188,276
Final 2021 dividend declared	-	-	-	-	-	-	-	-	-	-	-	70	(98,623)	(98,553)
Interim 2022 dividend	-	-	-	-	-	-	-	-	-	-	-	(14,070)	-	(14,070)
Proposed final 2022 dividend (note 10)	-	-	-	-	-	-	-	-	-	-	-	(32,759)	32,759	-
Repurchase of shares (note 23)	(3,378)	2,089	-	-	-	-	-	-	-	-	-	(8,120)	-	(9,409)
Transfer to capital redemption reserve (note 23)	-	-	-	-	-	-	-	-	-	-	3,378	(3,378)	-	-
Transfer to contingency reserve	-	-	-	-	29,152	-	-	-	-	-	-	(29,152)	-	-
Release from contingency reserve	-	-	-	-	(11,777)	-	-	-	-	-	-	11,777	-	-
Share of share based reserve of a joint venture	-	-	-	2,768	-	-	-	-	-	-	-	-	-	2,768
Share of changes in contingency reserve of a joint venture	-	-	-	-	314	-	-	-	-	-	-	(314)	-	-
At 31st December, 2022	936,588	(408)*	560,531*	7,983*	119,056*	2,649,142*	141,570*	(66,469)*	2,427*	513,240*	121,433*	5,474,914*	32,759	10,492,766

* These reserve accounts comprise the consolidated reserves of HK\$9,523,419,000 (2021 restated: HK\$9,385,165,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		229,936	716,551
Adjustments for:			
Interest income	6	(81,852)	(53,637)
Finance costs	5	130	85
Dividend income from investments	6	(208,964)	(292,311)
Loss/(gain) on redemption/call-back of held-to-collect debt securities at amortised cost	6	(214)	4,131
Depreciation	6	15,684	13,402
Changes in expected credit losses for:			
– Insurance receivables	6	9,159	(2,327)
– Held-to-collect debt securities at amortised cost	6	25	(181)
Changes in fair value of investment properties	6	21,000	(6,600)
Loss/(gain) on disposal/write-off of items of property, plant and equipment	6	(87)	35
Share of profits or losses of joint ventures		(83,456)	(27,661)
Share of profits or losses of associates		(23,821)	(197,701)
		(122,460)	153,786
Increase in loans and advances and other assets		(90,287)	(13,741)
Increase in financial assets at fair value through profit or loss		(118,832)	(335,943)
Decrease/(increase) in insurance receivables		(25,503)	18,268
Increase in reinsurance assets		(57,683)	(62,636)
Increase in time deposits with original maturity of over three months		(840,889)	(128,185)
Increase in insurance contracts liabilities		290,970	273,438
Increase/(decrease) in insurance payables		(69,519)	29,912
Increase/(decrease) in other liabilities		(44,215)	24,164
Cash used in operations		(1,078,418)	(40,937)
Hong Kong profits tax paid		(5,644)	(32,530)
Overseas profits tax paid		(8,284)	(7,208)
Overseas withholding tax paid		(20,635)	(29,834)
Net cash flows used in operating activities		(1,112,981)	(110,509)

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

continued/...

Consolidated Statement of Cash Flows

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
Net cash flows used in operating activities		(1,112,981)	(110,509)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		81,852	53,637
Dividends received from investments		208,964	292,311
Dividends received from joint ventures	14	25,380	28,440
Dividends received from associates	15	9,095	17,989
Purchases of held-to-collect debt securities at amortised cost		(173,342)	(226,944)
Proceeds from redemption/call-back of held-to-collect debt securities at amortised cost		110,123	139,698
Purchases of items of property, plant and equipment	12	(9,773)	(5,466)
Proceeds from disposal of items of property, plant and equipment		419	–
Capital contribution to joint ventures		–	(131,930)
Decrease in amount due from an associate		–	1,125
Decrease in pledged deposits		–	17,549
Net cash flows from investing activities		252,718	186,409
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	23	(9,409)	(25,937)
Dividends paid		(112,623)	(103,595)
Principal portion of lease payments	31	(3,264)	(1,633)
Interest paid	31	(130)	(85)
Capital contribution from non-controlling interests		–	610
Net cash flows used in financing activities		(125,426)	(130,640)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(985,689)	(54,740)
Cash and cash equivalents at beginning of year		2,642,739	2,697,479
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,657,050	2,642,739

Details of the restatements are set out in note 2.6 to the consolidated financial statements.

continued/...

Consolidated Statement of Cash Flows

Year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES			
Cash at banks	22	248,735	209,544
Non-pledged time deposits with original maturity of over three months when acquired	22	1,071,835	230,946
Non-pledged time deposits with original maturity of less than three months when acquired	22	1,408,315	2,433,195
Cash and bank balances as stated in the consolidated statement of financial position		2,728,885	2,873,685
Less: Non-pledged time deposits with original maturity of over three months when acquired		(1,071,835)	(230,946)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,657,050	2,642,739

Notes to Financial Statements

31st December, 2022

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, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The 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.

2.1 Basis of Preparation (cont'd)

Basis of consolidation (cont'd)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendment 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

Amendment 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

31st December, 2022

2.2 Changes in Accounting Policies and Disclosures (cont'd)

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

Details of the amendments that are 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. The Group has applied the amendment prospectively from 1st January, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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.

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, 2022 in these financial statements.

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
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1st January, 2023

² Effective for annual periods beginning on or after 1st January, 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1st January, 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

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. The amendments are not expected to have significant impact on the Group's financial statements.

Amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1st January, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1st January, 2019). Earlier application is permitted. The amendments are not expected to have significant impact on the Group's financial statements.

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 and HKFRS 15 on or before the date it first applies HKFRS 17.

This standard will bring significant changes to the accounting for insurance and reinsurance contracts.

31st December, 2022

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

HKFRS 17 *Insurance Contracts* (cont'd)

Estimated impact of the adoption of HKFRS 17

The Group has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item. The overall impact of the initial application of HKFRS 17 is an expected increase of the Group's equity upon transition.

The estimated impact is preliminary because not all the HKFRS 17 implementation work has been finalised. The actual impact of adopting HKFRS 17 on 1st January, 2022 may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying HKFRS 17; and
- the new accounting policies, assumptions, judgements and estimation techniques are subject to change until the Group finalises its first financial statements that include the date of initial application.

Transition approach for HKFRS 17

The Group expects to apply the full retrospective approach when it is practicable. In measuring the insurance and reinsurance balances, the key assumptions the Group has applied are:

- the Group expects to use the Premium Allocation Approach ("PAA") for measuring contracts as the respective groups of contracts meet the PAA eligibility criteria because the measurement of the liability for remaining coverage would not differ materially from the one that would be produced applying the General Measurement Model ("GMM"). The Group also uses PAA for measuring contracts with coverage periods of one year or less.
- the Group applies the bottom-up approach in the determination of the discounts rates for different products.

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.

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

Amendment to HKFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of HKFRS 17.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application, which is 1st January, 2022 for the Company.

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 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1st January, 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies*

Amendments to HKAS 1 Disclosure of Accounting Policies 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 provides 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 significant impact on the Group's financial statements.

Notes to Financial Statements

31st December, 2022

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

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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 significant impact on the Group's financial statements.

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 incepted and advices received from the cedants during the financial year, respectively, and are recognised as income when risk coverage is provided to the insured or the cedants.

Commission income

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

2.4 Summary of Significant Accounting Policies (cont'd)

Revenue recognition (cont'd)

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 by the lessee.

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.

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.

Notes to Financial Statements

31st December, 2022

2.4 Summary of Significant Accounting Policies (cont'd)

Investments in associates and joint ventures (cont'd)

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*.

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.

2.4 Summary of Significant Accounting Policies (cont'd)

Business combinations and goodwill (cont'd)

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.

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.

Notes to Financial Statements

31st December, 2022

2.4 Summary of Significant Accounting Policies (cont'd)

Fair value measurement (cont'd)

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.

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.

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

Notes to Financial Statements

31st December, 2022

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Group as a lessee (cont'd)

(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.

(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.

Notes to Financial Statements

31st December, 2022

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

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.

Investments and other financial assets

Initial recognition and measurement

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

2.4 Summary of Significant Accounting Policies (cont'd)

Investments and other financial assets (cont'd)

Initial recognition and measurement (cont'd)

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:

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.

Notes to Financial Statements

31st December, 2022

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 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.

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.

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 (cont'd)

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.

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

31st December, 2022

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 and insurance payables.

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, 2022

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.

31st December, 2022

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 unexpired risk.

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 bank balances

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 bank balances 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, 2022

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, 2022

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\$3,126,369,000 (2021: HK\$2,940,746,000) (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, 2022 (2021: Nil). The amount of unrecognised tax losses at 31st December, 2022 was HK\$372,162,000 (2021: HK\$292,550,000). 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.

31st December, 2022

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.

31st December, 2022

2.6 Restatement

(i) Correction of classification from equity investments designated at fair value through other comprehensive income ("FVOCI") to interests in associates

In prior periods, the Group classified its investments in PT Asian International Investindo, Robina Manila Hotel Ltd. and Yangon Hotel Holdings Ltd. as equity investments designated at fair value through other comprehensive income. In substance, the Group has taken, and continues to take, the role of a passive investor since inception. Management had no intention, and had not exercised, its rights to participate in the financing or operating policies of these investees. However, in accordance with HKAS 28, the Group is deemed to have, in form, significant influence and therefore these investees should be classified as interests in associates. This has been corrected as a prior period adjustment and the effect of which is summarised below:

Consolidated statement of financial position as at 31st December, 2021:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in associates	611,513	259,361	870,874
Due from associates	255,015	1,857	256,872
Held-to-collect debt securities at amortised cost	1,126,063	(1,857)	1,124,206
FVOCI	5,489,020	(213,865)	5,275,155
Retained earnings	5,099,436	251,513	5,350,949
Fair value reserve	2,771,843	(202,392)	2,569,451
Exchange reserve	30,496	(5,639)	24,857
Deferred tax liabilities	239,724	2,014	241,738

Consolidated statement of financial position as at 1st January, 2021:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in associates	427,519	249,173	676,692
Due from associates	256,140	1,857	257,997
Held-to-collect debt securities at amortised cost	1,042,767	(1,857)	1,040,910
FVOCI	6,850,964	(152,029)	6,698,935
Retained earnings	4,585,945	239,323	4,825,268
Fair value reserve	3,958,703	(143,648)	3,815,055
Exchange reserve	11,016	(3,123)	7,893
Deferred tax liabilities	373,816	4,592	378,408

Notes to Financial Statements

31st December, 2022

2.6 Restatement (cont'd)

- (i) **Correction of classification from equity investments designated at fair value through other comprehensive income ("FVOCI") to interests in associates (cont'd)**

Consolidated statement of profit or loss:

	For the year ended 31st December, 2021 Increase/ (decrease) in profits HK\$'000
Dividend from unlisted investments	(8,287)
Share of results of associates	20,991
Income tax	(514)

The restatements did not have any net impact on the operating, investing and financing cash flows.

- (ii) **The effect of the restatement on the Group's basic and diluted earnings per share for the year ended 31st December, 2021 is as follows:**

	For the year ended 31st December, 2021 HK Cents
Basic and diluted earnings per share	70.7
Adjustments from classification from FVOCI to interests in associates	1.2
Restated	71.9

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, 2022

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, 2022 and 2021:

	Insurance		Corporate		Eliminations		Consolidated	
	2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000 (Restated)
Segment revenue (note 4):								
External customers	2,085,174	1,916,355	-	-	-	-	2,085,174	1,916,355
Other revenue, income and gains, net	40,140	145,476	49,800	347,879	-	-	89,940	493,355
Intersegment	8,847	7,354	-	-	(8,847)	(7,354)	-	-
Total	2,134,161	2,069,185	49,800	347,879	(8,847)	(7,354)	2,175,114	2,409,710
Segment results	126,817	228,906	(4,158)	262,283	-	-	122,659	491,189
Share of profits or losses of:								
Joint ventures	53,572	(5,406)	29,884	33,067	-	-	83,456	27,661
Associates	21,331	24,755	2,490	172,946	-	-	23,821	197,701
Profit before tax							229,936	716,551
Income tax expense	(16,007)	(7,702)	(14,018)	(31,378)	-	-	(30,025)	(39,080)
Profit for the year							199,911	677,471

Notes to Financial Statements

31st December, 2022

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, 2022 and 2021: (cont'd)

	Insurance		Corporate		Consolidated	
	2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000 (Restated)
Segment assets	7,663,900	7,272,990	6,595,913	6,657,805	14,259,813	13,930,795
Interests in joint ventures	464,227	523,020	123,120	114,416	587,347	637,436
Interests in associates	299,090	309,497	494,578	561,377	793,668	870,874
Total assets	8,427,217	8,105,507	7,213,611	7,333,598	15,640,828	15,439,105
Segment liabilities	4,653,291	4,464,273	494,771	551,078	5,148,062	5,015,351
Other segment information:						
Depreciation charges	12,900	10,576	2,784	2,826	15,684	13,402
Loss/(gain) on disposal/write-off of items of property, plant and equipment	93	28	(180)	7	(87)	35
Loss/(gain) on change in fair value of investment properties	4,000	400	17,000	(7,000)	21,000	(6,600)
Capital expenditure	13,701	4,693	862	3,214	14,563	7,907

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

	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	130	85

Notes to Financial Statements

31st December, 2022

6. Profit Before Tax

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

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
Auditor's remuneration		(4,051)	(3,831)
Depreciation	12	(15,684)	(13,402)
Employee benefit expense (including directors' remuneration, note 7):			
Wages and salaries		(170,306)	(188,061)
Pension scheme contributions		(7,039)	(5,924)
Less: Forfeited contributions		176	174
Net pension scheme contributions		(6,863)	(5,750)
Total employee benefit expense		(177,169)	(193,811)
Expenses relating short-term leases and leases of low-value assets		(98)	(180)
Realised gain/(loss) on:			
– disposal of financial assets at fair value through profit or loss, net		(101,772)	44,825
– redemption/call-back of held-to-collect debt securities at amortised cost		214	(4,131)
– disposal of interest in a joint venture		81	–
Total realised gain/(loss) on investments		(101,477)	40,694
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net		(67,468)	76,958
Changes in expected credit losses for:			
– Insurance receivables	20	(9,159)	2,327
– Held-to-collect debt securities at amortised cost	16	(25)	181
Interest income		81,852	53,637
Gain/(Loss) on disposal/write-off of items of property, plant and equipment*		87	(35)
Gross rental income*		6,742	7,032
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		(508)	(209)
Change in fair value of investment properties*	13	(21,000)	6,600
Subsidies from Government*		4,074	932
Foreign exchange gain/(loss), net*		(26,625)	9,934
Dividend income from:			
– Listed investments		59,839	60,118
– Unlisted investments		149,125	232,193
Total dividend income		208,964	292,311

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

Notes to Financial Statements

31st December, 2022

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:

2022	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	30	480	750	24	1,284
CHAN Bernard Charnwut	154	5,508	640	254	6,556
TAN Stephen	80	3,062	1,350	141	4,633
WONG Kok Ho	140	2,504	200	116	2,960
	<u>404</u>	<u>11,554</u>	<u>2,940</u>	<u>535</u>	<u>15,433</u>
Non-executive directors:					
KAWAUCHI Yuji ¹	80	–	–	–	80
OGURA Satoru ²	80	–	–	–	80
	<u>160</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>160</u>
Independent non-executive directors:					
LAI KO Wing Yee Rebecca	310	–	–	–	310
SHUEN LEUNG Lai Sheung Loretta ⁵	115	–	–	–	115
AU YANG Chi Chun Evan ⁴	310	–	–	–	310
NGAN Edith Manling ⁶	186	–	–	–	186
	<u>921</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>921</u>
	<u>1,485</u>	<u>11,554</u>	<u>2,940</u>	<u>535</u>	<u>16,514</u>

31st December, 2022

7. Directors' Remuneration (cont'd)

2021	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	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	70	–	–	–	70
	<u>140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>140</u>
Independent non-executive directors:					
CHOW Suk Han Anna ³	112	–	–	–	112
LAI KO Wing Yee Rebecca	290	–	–	–	290
SHUEN LEUNG Lai Sheung Loretta	280	–	–	–	280
AU YANG Chi Chun Evan ⁴	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>

¹ Mr. KAWAUCHI Yuji was nominated as director by Sompo Japan Insurance Inc. ("Sompo"). He is entitled to a director's fee of HK\$80,000 per annum (2021: 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, 2022 and 2021, was paid directly to "Sompo Japan Insurance Inc – HK Rep Office".

² Mr. OGURA Satoru (appointed on 25th March, 2020) were nominated as director by Aioi Nissay Dowa Insurance Company, Limited ("Aioi Insurance"). He is entitled to a director's fee of HK\$80,000 per annum (2021: 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 Mr. OGURA for the year ended 31st December, 2022 and 2021, was paid directly to Aioi Insurance.

³ Retired during the year ended 31st December, 2021.

⁴ Appointed during the year ended 31st December, 2021.

⁵ Retired during the year ended 31st December, 2022.

⁶ Appointed during the year ended 31st December, 2022.

Notes to Financial Statements

31st December, 2022

8. Five Highest Paid Employees

The five highest paid employees during the year included two (2021: three) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, commission, allowances and benefits in kind	9,699	7,225
Discretionary bonuses	3,300	2,800
Pension scheme contributions	445	322
	13,444	10,347

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	
	2022	2021
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	1	1
	3	2

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

	2022 HK\$'000	2021 HK\$'000 (Restated)
Current – Hong Kong		
Charge for the year	6,381	17,050
Over provision in prior years	(969)	(19,562)
Current – Elsewhere		
Charge for the year	29,245	38,220
Over provision in prior years	(103)	(518)
Deferred (note 30)	(4,529)	3,890
Total tax charge for the year	30,025	39,080

31st December, 2022

9. Income Tax (cont'd)

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

2022

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Profit/(loss) before tax	(27,756)	257,692	229,936
Tax at the statutory tax rates	(4,579)	39,371	34,792
Share of profits or losses attributable to joint ventures and associates	(17,702)	–	(17,702)
Adjustments in respect of current tax of previous periods	(969)	(103)	(1,072)
Income not subject to tax	(10,668)	(30,977)	(41,645)
Expenses not deductible for tax	21,881	–	21,881
Tax loss utilized from previous periods	(96)	–	(96)
Tax loss not recognised	13,232	–	13,232
Foreign withholding tax	–	20,635	20,635
Tax charge at the Group's effective rate	1,099	28,926	30,025
Effective tax rate	N/A	11.2%	13.1%

2021 (Restated)

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Profit before tax	363,280	353,271	716,551
Tax at the statutory tax rates	59,941	55,180	115,121
Share of profits or losses attributable to joint ventures and associates	(37,185)	–	(37,185)
Adjustments in respect of current tax of previous periods	(19,562)	(518)	(20,080)
Income not subject to tax	(21,831)	(46,806)	(68,637)
Expenses not deductible for tax	15,427	–	15,427
Tax loss not recognised	4,600	–	4,600
Foreign withholding tax	–	29,834	29,834
Tax charge at the Group's effective rate	1,390	37,690	39,080
Effective tax rate	0.4%	10.7%	5.5%

The share of tax attributable to joint ventures amounting to HK\$6,743,000 (2021: HK\$9,595,000) 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\$1,549,000 (2021: HK\$93,549,000) and HK\$115,000 (2021: HK\$9,481,000), 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, 2022

10. Dividends

	2022 HK\$'000	2021 HK\$'000
Interim – HK1.5 cents (2021: HK4.0 cents) per ordinary share	14,070	37,642
Proposed final – HK3.5 cents (2021: HK10.5 cents) per ordinary share	32,759	98,623
	46,829	136,265

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\$199,911,000 (2021 restated profit: HK\$677,618,000) and the weighted average number of ordinary shares of 938,209,000 (2021: 941,843,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2022 and 2021.

31st December, 2022

12. Property, Plant and Equipment**31st December, 2022**

	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	95,570	7,086	363,590
Additions	–	9,773	4,790	14,563
Disposals/write-off	–	(2,226)	–	(2,226)
At 31st December, 2022	260,934	103,117	11,876	375,927
Accumulated depreciation and impairment:				
At beginning of year	95,669	76,406	2,813	174,888
Charge for the year	5,158	7,472	3,054	15,684
Disposals/write-off	–	(1,894)	–	(1,894)
At 31st December, 2022	100,827	81,984	5,867	188,678
Net book value:				
At 31st December, 2022	160,107	21,133	6,009	187,249
At 31st December, 2021	165,265	19,164	4,273	188,702

Notes to Financial Statements

31st December, 2022

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

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	260,934	95,570	7,086	363,590
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	95,669	76,406	2,813	174,888
Net book value:				
At 31st December, 2021	165,265	19,164	4,273	188,702
At 31st December, 2020	170,423	20,346	3,463	194,232

31st December, 2022

13. Investment Properties

	2022 HK\$'000	2021 HK\$'000
Carrying amount at 1st January	264,100	257,500
Change in fair value (<i>note 6</i>)	(21,000)	6,600
Carrying amount at 31st December	243,100	264,100

The Group's investment properties were revalued at 31st December, 2022 based on valuations performed by Memfus Wong Surveyors Limited and AA Property Services Limited, independent firms of professionally qualified valuers, at HK\$213,000,000 (2021: HK\$230,000,000) and HK\$30,100,000 (2021: HK\$34,100,000), 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, 2022 and 2021, 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, 2022, there were no transfers into or out of Level 3.

Notes to Financial Statements

31st December, 2022

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, 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 and 1st January, 2022	246,900	17,200	264,100
Change in fair value of investment properties	(19,200)	(1,800)	(21,000)
Carrying amount at 31st December, 2022	227,700	15,400	243,100

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	
			2022	2021
Commercial properties in Macau	Income capitalisation approach	Monthly rent per square foot Capitalisation rate	HK\$23 2.6% to 2.9%	HK\$22 2.5% to 2.7%
Commercial properties in Hong Kong	Direct comparison plus term and reversion approach	Unit rate per square foot	HK\$13,000 to HK\$23,000	HK\$13,000 to HK\$26,460

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

Notes to Financial Statements

31st December, 2022

14. Interests in Joint Ventures

	2022 HK\$'000	2021 HK\$'000
Share of net assets	587,347	637,436

Particulars of the joint ventures of the Group as at 31st December, 2022 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
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\$25,380,000 (2021: HK\$28,440,000) from the joint ventures.

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

	2022 HK\$'000	2021 HK\$'000
Share of the joint ventures' profit for the year	83,456	27,661
Share of the joint ventures' other comprehensive income	(110,933)	(11,825)
Share of the joint ventures' total comprehensive income	(27,477)	15,836
Aggregate carrying amount of the Group's interests in the joint ventures	587,347	637,436

Notes to Financial Statements

31st December, 2022

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, 2022, the joint ventures' percentage of its gross liabilities connected with insurance represented 99% of its total liabilities. Since 31st December, 2022, 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, 2022 and 2021 and the change in fair value of these two groups of financial assets for the years ended 31st December, 2022 and 2021 for these joint ventures:

	Fair value HK\$'000	Fair value change HK\$'000
As at 31st December, 2022		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	1,894,408	(90,645)
Others	533,445	(108,828)
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

31st December, 2022

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.

	2022 HK\$'000	2021 HK\$'000
AAA	–	–
AA	27,502	42,392
A	855,471	851,779
BBB	1,092,501	1,054,980
BB	–	–
Not rated	151,255	168,034
	2,126,729	2,117,185

As at 31st December, 2022, the fair value and carrying amount of financial assets that do not have low credit risk were HK\$145,988,000 and HK\$151,255,000 (2021: HK\$165,046,000 and HK\$168,034,000), 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.

15. Interests in Associates

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
Share of net assets		793,668	870,874
Due from associates	(i)	256,872	256,872
Due to associates	(ii)	(4,222)	(4,222)

Notes:

- 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 (2021: 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.
- The amounts due to associates are classified as financial liabilities at amortised cost, and are unsecured, interest-free and repayable on demand.

Notes to Financial Statements

31st December, 2022

15. Interests in Associates (cont'd)

Particulars of the associates of the Group as at 31st December, 2022, 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
上海盤谷房地產有限公司	The People's Republic of China	27.5	RMB570,870,560	Property development
LKW Children Education Limited	Hong Kong	27.5	HK\$10,000	Operation of pre-school
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
PT Asian International Investindo	Indonesia	27.39	IDR32,000,000,000	Investment holding
Robina Manila Hotel Limited	British Virgin Islands	25	HK\$78,000	Investment holding
Yangon Hotel Holdings Limited	Cook Islands	30	US\$1	Investment holding

The Group received dividend income amounting to HK\$9,095,000 (2021 restated: HK\$17,989,000) from the associates during the year.

31st December, 2022

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, 上海盤谷房地產有限公司 and LKW Children Education Limited 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:

	2022 HK\$'000	2021 HK\$'000
Assets, excluding goodwill	3,427,314	3,995,585
Liabilities	(1,660,793)	(1,998,791)
Net assets, excluding goodwill	1,766,521	1,996,794
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	485,793	549,118
Carrying amount of the investment	485,793	549,118
Revenue	67,971	2,334,863
Dividend distributed	–	(28,068)
Profit for the year	4,399	624,116
Translation difference	(234,673)	66,040
Total comprehensive income for the year	(230,274)	690,156

Notes to Financial Statements

31st December, 2022

15. Interests in Associates (cont'd)

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

	2022 HK\$'000	2021 HK\$'000 (Restated)
Share of the associates' profit or loss for the year	22,611	26,070
Share of the associates' other comprehensive income	(27,397)	(3,691)
Share of the associates' total comprehensive income	(4,786)	22,379
Aggregate carrying amount of the Group's interests in the associates	307,875	321,756

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, 2022, the associate's percentage of its gross liabilities connected with insurance represented 80% of its total liabilities. Since 31st December, 2022, 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.

31st December, 2022

15. Interests in Associates (cont'd)

The following table shows the fair values as at 31st December, 2022 and 2021 and change in fair value of these two groups of financial assets for the years ended 31st December, 2022 and 2021 for these associates:

	Fair value HK\$'000	Fair value change HK\$'000
As at 31st December, 2022		
Financial assets that met the SPPI criteria and not held for trading or managed on a fair value basis	17,939	N/A
Others	–	N/A
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

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.

	2022 HK\$'000	2021 HK\$'000
A	–	–
BBB	–	–
Not rated	17,939	29,480
	17,939	29,480

As at 31st December, 2022, the fair value and carrying amount of financial assets that do not have low credit risk was HK\$17,939,000 (2021: HK\$29,480,000).

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.

Notes to Financial Statements

31st December, 2022

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

	2022 HK\$'000	2021 HK\$'000 (Restated)
Listed debt securities in Hong Kong, at amortised cost	679,753	692,093
Listed debt securities outside Hong Kong, at amortised cost	352,690	278,937
Unlisted debt securities, at amortised cost	156,252	154,232
	1,188,695	1,125,262
Less: Impairment allowance	(1,081)	(1,056)
Held-to-collect debt securities at amortised cost	1,187,614	1,124,206

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:

	2022 HK\$'000	2021 HK\$'000 (Restated)
Public sector entities	46,465	46,400
Banks and other financial institutions	785,608	773,798
Corporate entities	355,541	304,008
	1,187,614	1,124,206

31st December, 2022

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:

	2022 HK\$'000	2021 HK\$'000 (Restated)
With a residual maturity of:		
Three months or less	172,242	97,615
One year or less but over three months	34,231	7,778
Five years or less but over one year	737,791	620,512
Over five years	243,350	398,301
	1,187,614	1,124,206

As at 31st December, 2022, listed debt securities of the Group amounting to HK\$126,954,000 (2021: HK\$126,670,000) 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.

2022

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
AAA	52,701	–	–	52,701
AA+ to AA-	104,959	–	–	104,959
A+ to A-	444,708	–	–	444,708
Below A-	472,808	–	–	472,808
Not rated	113,519	–	–	113,519
	1,188,695	–	–	1,188,695

Notes to Financial Statements

31st December, 2022

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

2021 (Restated)

	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	74,100	–	–	74,100
	<u>1,125,262</u>	<u>–</u>	<u>–</u>	<u>1,125,262</u>

The movements in impairment allowance of held-to-collect debt securities at amortised cost are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	1,056	1,237
Impairment allowance/(write back of impairment allowance) (<i>note 6</i>)	<u>25</u>	<u>(181)</u>
At end of year	<u>1,081</u>	<u>1,056</u>

31st December, 2022

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

	2022 HK\$'000	2021 HK\$'000 (Restated)
Equity investments designated at fair value through other comprehensive income		
Listed equity investments outside Hong Kong, at fair value		
Bangkok Bank Public Company Limited	641,668	538,235
Bumrungrad Hospital Public Company Limited	1,588,670	1,098,711
	2,230,338	1,636,946
Unlisted equity investments, at fair value		
PICC Life Insurance Company Limited	2,750,000	3,120,000
BBL Asset Management Company Limited	268,000	303,000
The People's Insurance Company of China (Hong Kong), Limited	62,974	80,679
BE Reinsurance Limited	30,971	53,682
Others	82,107	80,848
	3,194,052	3,638,209
	5,424,390	5,275,155

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, 2022, the gross gain 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\$149,235,000 (2021 restated loss: HK\$1,367,296,000) and the Group received dividends in the amounts of HK\$16,652,000 (2021: HK\$16,172,000), HK\$23,634,000 (2021: HK\$25,963,000), HK\$96,321,000 (2021: HK\$186,503,000), HK\$35,005,000 (2021: HK\$35,819,000), and HK\$1,000,000 (2021: HK\$3,000,000) from Bangkok Bank Public Company Limited, Bumrungrad Hospital Public Company Limited, PICC Life Insurance Company Limited, BBL Asset Management Company Limited and BE Reinsurance Limited, respectively.

Notes to Financial Statements

31st December, 2022

18. Loans and Advances and Other Assets

	2022 HK\$'000	2021 HK\$'000
Loans and advances	3,152	5,677
Accrued interest and other assets	252,603	159,791
Tax recoverable	482	—
Gross loans and advances and other assets	256,237	165,468

The Group's accrued interest and other assets were current in nature as at 31st December, 2022 and 2021.

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

	2022 HK\$'000	2021 HK\$'000
Repayable on demand	—	—
With a residual maturity of:		
Three months or less	166	324
One year or less but over three months	502	982
Five years or less but over one year	2,484	3,988
Over five years	—	383
	3,152	5,677

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.

31st December, 2022

19. Financial Assets at Fair Value through Profit or Loss

	2022 HK\$'000	2021 HK\$'000
Debt securities:		
– listed in Hong Kong, at fair value	–	15,033
– listed outside Hong Kong, at fair value	76,908	37,648
	76,908	52,681
Equity securities at fair value:		
– listed in Hong Kong	393,698	295,245
– listed outside Hong Kong	695,767	552,107
	1,089,465	847,352
Investment funds:		
– listed outside Hong Kong, at fair value	175,438	268,699
– unlisted, at quoted price	454,680	508,927
	630,118	777,626
Total	1,796,491	1,677,659

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:

	2022 HK\$'000	2021 HK\$'000
Public sector entities	20,820	15,506
Banks and other financial institutions	282,903	250,530
Corporate entities	1,492,768	1,411,623
	1,796,491	1,677,659

The above securities and investment funds at 31st December, 2022 and 2021 were classified as financial assets at fair value through profit or loss as they were held for trading.

Notes to Financial Statements

31st December, 2022

20. Insurance Receivables

	2022 HK\$'000	2021 HK\$'000
Amounts due in respect of:		
Direct underwriting	148,372	110,542
Reinsurance accepted	100,839	113,166
	249,211	223,708
Less: Impairment allowance	(17,423)	(8,264)
	231,788	215,444

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:

	2022 HK\$'000	2021 HK\$'000
Three months or less	202,853	193,996
Six months or less but over three months	33,655	24,156
One year or less but over six months	11,977	4,787
Over one year	726	769
	249,211	223,708
Less: Impairment allowance	(17,423)	(8,264)
	231,788	215,444

31st December, 2022

20. Insurance Receivables (cont'd)

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

	2022 HK\$'000	2021 HK\$'000
At beginning of year	8,264	10,591
Impairment loss/(write back of impairment loss) (note 6)	9,159	(2,327)
	17,423	8,264

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, 2022

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.70%	5.21%	22.28%	90.76%	6.99%
Gross carrying amount (HK\$'000)	202,853	17,676	15,979	12,703	249,211
Expected credit losses (HK\$'000)	1,413	921	3,560	11,529	17,423

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

Notes to Financial Statements

31st December, 2022

21. Reinsurance Assets

	2022 HK\$'000	2021 HK\$'000
Reinsurers' share of insurance contracts liabilities (note 25)	1,651,379	1,593,696

22. Cash and Bank Balances and Pledged Deposits

	2022 HK\$'000	2021 HK\$'000
Cash at banks	248,735	209,544
Time deposits with original maturity of over three months	1,071,835	230,946
Time deposits with original maturity of less than three months	1,408,315	2,433,195
	2,728,885	2,873,685
Pledged deposits	295,808	295,808
	3,024,693	3,169,493

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:

	2022 HK\$'000	2021 HK\$'000
With a residual maturity of:		
Three months or less	2,183,512	2,994,142
Over three months but less than one year	841,181	175,351
	3,024,693	3,169,493

31st December, 2022

23. Share Capital

	2022 HK\$'000	2021 HK\$'000
Authorised:		
1,500,000,000 (2021: 1,500,000,000) ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
936,588,000 (2021: 939,966,000) ordinary shares of HK\$1 each	<u>936,588</u>	<u>939,966</u>

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

	Number of shares in issue	Share capital HK\$'000
At 1st January, 2021	946,620,000	946,620
Shares repurchased and cancelled (Note)	(6,654,000)	(6,654)
At 31st December, 2021 and 1st January, 2022	<u>939,966,000</u>	<u>939,966</u>
Shares repurchased and cancelled (Note)	<u>(3,378,000)</u>	<u>(3,378)</u>
At 31st December, 2022	<u>936,588,000</u>	<u>936,588</u>

Note:

At 31st December, 2021, 698,000 shares with cost of HK\$2,497,000 were classified as treasury shares, and were subsequently cancelled in January 2022. During the year ended 31st December, 2022, a subsidiary of the Company repurchased 2,798,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.01 to HK\$3.60 per share at a total consideration of HK\$9,409,000 (including expenses and dividend). Out of which, 2,680,000 repurchased shares were cancelled.

The premium of HK\$8,120,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$3,378,000 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 118,000 shares with cost of HK\$408,000 were classified as treasury shares at 31st December, 2022 and were subsequently cancelled in January 2023.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 486,000 ordinary shares of the Company from the market at prices ranging from HK\$3.47 to HK\$3.49 per share at a total amount of HK\$1,696,000 (including expenses). As at the date of this report, the number of issued shares of the Company is 935,984,000.

Notes to Financial Statements

31st December, 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, 2022 (2021: Nil).

Notes to Financial Statements

31st December, 2022

25. Insurance Contracts Liabilities

		2022			2021		
	Notes	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)	107,215	–	107,215	98,607	–	98,607
General insurance contracts	(b)	4,392,297	(1,651,379)	2,740,918	4,109,935	(1,593,696)	2,516,239
Total insurance contracts liabilities		4,499,512	(1,651,379)	2,848,133	4,208,542	(1,593,696)	2,614,846

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

		2022			2021		
	Notes	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Life reserve	(1)	98,905	–	98,905	86,528	–	86,528
Provision for claims	(2)	8,310	–	8,310	12,079	–	12,079
		107,215	–	107,215	98,607	–	98,607

(1) Life reserve is analysed as follows:

	2022 HK\$'000	2021 HK\$'000
At 1st January	86,528	73,077
Increase in the year	12,377	13,451
At 31st December	98,905	86,528

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

	2022			2021		
	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	12,079	–	12,079	18,139	–	18,139
Claims incurred during the year	10,943	(3,262)	7,681	19,431	(14,054)	5,377
Claims paid during the year	(14,712)	3,262	(11,450)	(25,491)	14,054	(11,437)
At 31st December	8,310	–	8,310	12,079	–	12,079

Notes to Financial Statements

31st December, 2022

25. Insurance Contracts Liabilities (cont'd)

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

		2022			2021		
	Notes	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Provision for claims reported by policyholders		1,354,033	(591,014)	763,019	1,281,210	(573,071)	708,139
Provision for claims incurred but not reported ("IBNR")		1,772,336	(647,800)	1,124,536	1,659,536	(615,220)	1,044,316
Total claims reported and IBNR	(1)	3,126,369	(1,238,814)	1,887,555	2,940,746	(1,188,291)	1,752,455
Provision for unearned premiums	(2)	1,255,928	(412,565)	843,363	1,169,189	(405,405)	763,784
Provision for unexpired risks	(3)	10,000	–	10,000	–	–	–
Total general insurance contracts liabilities		4,392,297	(1,651,379)	2,740,918	4,109,935	(1,593,696)	2,516,239

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

	2022			2021		
	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	2,940,746	(1,188,291)	1,752,455	2,792,759	(1,169,963)	1,622,796
Claims incurred during the year	899,830	(306,147)	593,683	936,189	(366,948)	569,241
Claims paid during the year	(714,207)	255,624	(458,583)	(788,202)	348,620	(439,582)
At 31st December	3,126,369	(1,238,814)	1,887,555	2,940,746	(1,188,291)	1,752,455

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

	2022			2021		
	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>
At 1st January	1,169,189	(405,405)	763,784	1,051,129	(361,097)	690,032
Premiums written during the year	2,046,286	(698,744)	1,347,542	1,877,400	(677,166)	1,200,234
Premiums earned during the year	(1,959,547)	691,584	(1,267,963)	(1,759,340)	632,858	(1,126,482)
At 31st December	1,255,928	(412,565)	843,363	1,169,189	(405,405)	763,784

31st December, 2022

25. Insurance Contracts Liabilities (cont'd)

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

(3) The provision for unexpired risks is analysed as follows:

	Insurance contracts liabilities HK\$'000	2022 Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	2021 Reinsurers' share of liabilities HK\$'000	Net HK\$'000
At 1st January	-	-	-	-	-	-
Increase in unexpired risks	10,000	-	10,000	-	-	-
At 31st December	10,000	-	10,000	-	-	-

26. Net Premiums

	Notes	2022 HK\$'000	2021 HK\$'000
(a) Gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		1,241,960	1,214,370
Reinsurance accepted		804,326	663,030
Total gross general insurance premiums	25(b)(2)	2,046,286	1,877,400
Gross life insurance premiums		38,888	38,955
Total revenue		2,085,174	1,916,355
Change in gross unearned premiums		(86,739)	(118,060)
Change in life reserve	25(a)(1)	(12,377)	(13,451)
Total gross premiums		1,986,058	1,784,844
(b) Reinsurers' share of gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		(387,724)	(392,315)
Reinsurance accepted		(311,020)	(284,851)
Total gross general insurance premiums	25(b)(2)	(698,744)	(677,166)
Gross life insurance premiums		(16,455)	(16,239)
Change in unearned premiums		7,160	44,308
Total reinsurers' share of gross premiums		(708,039)	(649,097)

Notes to Financial Statements

31st December, 2022

27. Net Claims Incurred

	Notes	2022 HK\$'000	2021 HK\$'000
(a) Gross claims paid			
Life insurance contracts claims paid	25(a)(2)	(14,712)	(25,491)
General insurance contracts claims paid	25(b)(1)	(714,207)	(788,202)
Total gross claims paid		(728,919)	(813,693)
(b) Reinsurers' share of gross claims paid			
Life insurance contracts claims paid	25(a)(2)	3,262	14,054
General insurance contracts claims paid	25(b)(1)	255,624	348,620
Total reinsurers' share of gross claims paid		258,886	362,674
(c) Gross change in outstanding claims			
Change in life insurance outstanding claims		3,769	6,060
Change in general insurance outstanding claims		(185,623)	(147,987)
Total gross change in outstanding claims		(181,854)	(141,927)
(d) Reinsurers' share of gross change in outstanding claims			
General insurance outstanding claims		50,523	18,328

31st December, 2022

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:

	2022 HK\$'000	2021 HK\$'000
Three months or less	94,508	147,247
Six months or less but over three months	25,897	17,515
One year or less but over six months	1,726	8,423
Over one year	7,637	26,102
Total	129,768	199,287

29. Other Liabilities

	2022 HK\$'000	2021 HK\$'000
Lease liabilities	5,869	4,343
Accruals and other payables	280,064	323,939
Total	285,933	328,282

HK\$283,274,000 of the Group's other liabilities were current in nature while HK\$2,659,000 were non-current in nature as at 31st December, 2022. 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. The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

Notes to Financial Statements

31st December, 2022

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, 2021 (Restated)	720	5,351	358,639	13,698	378,408
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>note 9</i>)	21	3,881	–	(12)	3,890
Deferred tax charged to other comprehensive income during the year	–	–	(140,560)	–	(140,560)
At 1st January, 2022 (Restated)	741	9,232	218,079	13,686	241,738
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>note 9</i>)	119	(3,926)	–	(722)	(4,529)
Deferred tax charged to other comprehensive income during the year	–	–	(42,335)	–	(42,335)
Gross deferred tax liabilities at 31st December, 2022	860	5,306	175,744	12,964	194,874

At 31st December, 2022, the Group had tax losses arising in Hong Kong of HK\$372,162,000 (2021: HK\$292,550,000) 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.

31st December, 2022

31. Note to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000
At 1st January, 2021	3,535
New leases	2,441
Principal repayment	(1,633)
Interest expenses	85
Interest paid classified as financing cash flows	(85)
	<hr/>
At 31st December, 2021 and 1st January, 2022	4,343
New leases	4,790
Principal repayment	(3,264)
Interest expenses	130
Interest paid classified as financing cash flows	(130)
	<hr/>
At 31st December, 2022	5,869
	<hr/>

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, 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	6,539	6,577
After one year but within two years	251	6,469
After two years but within three years	125	139
	<hr/>	<hr/>
	6,915	13,185
	<hr/>	<hr/>

Notes to Financial Statements

31st December, 2022

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:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Contracted, but not provided for:		
Acquisition of computer software	9,689	3,653

34. Related Party Transactions

(a)

	2022		2021 (Restated)
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000
			Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:			
Aggregate balance at the end of the reporting period	–	93	–
Interbank activities:			
Deposits placed	–	619,436	–
Interest income	–	11,864	–
Premium income:			
Gross premiums written	4,354	7,916	363
Commission expense, net	–	6,119	–

31st December, 2022

34. Related Party Transactions (cont'd)

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

	2022 HK\$'000	2021 HK\$'000 (Restated)
Reinsurance premium ceded	6	6
Commission expenses paid	1,265	1,040

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

	2022 HK\$'000	2021 HK\$'000 (Restated)
Loans and advances granted:		
Aggregate balance at the end of the reporting period	256,872	256,872
Interest income	1,733	1,732
Commission expense paid	26,638	22,979

- (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.

31st December, 2022

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.

31st December, 2022

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 $\pm 5\%$ (2021: $\pm 5\%$). The sensitivities of net income and equity relate to the decrease/increase of average claim costs by 5% (2021: 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, 2022					
Average claim costs	+5%	44,992	29,684	(29,684)	(24,786)
	-5%	(44,992)	(29,684)	29,684	24,786
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

(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, 2022.

Notes to Financial Statements

31st December, 2022

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

	2013 and before <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accident year	5,391,762	681,583	638,217	597,487	1,365,990	836,266	976,306	928,719	982,778	878,156	
One year later	5,482,020	636,204	613,689	654,702	1,334,001	1,169,457	1,089,103	1,141,662	1,141,614	–	
Two years later	5,559,695	634,304	583,101	690,061	1,281,532	1,123,405	1,139,168	1,227,593	–	–	
Three years later	5,578,647	583,263	580,662	657,558	1,264,359	1,303,874	1,298,663	–	–	–	
Four years later	5,576,274	607,313	529,089	636,535	670,911	701,405	–	–	–	–	
Five years later	5,530,294	551,565	527,257	537,153	577,676	–	–	–	–	–	
Six years later	5,331,576	538,221	561,986	587,681	–	–	–	–	–	–	
Seven years later	5,320,634	576,091	586,109	–	–	–	–	–	–	–	
Eight years later	5,291,271	587,314	–	–	–	–	–	–	–	–	
Nine years later	4,172,958	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative gross claims	4,172,958	587,314	586,109	587,681	577,676	701,405	1,298,663	1,227,593	1,141,614	878,156	11,759,169
Cumulative gross payments to date	(4,083,017)	(529,634)	(527,285)	(483,987)	(431,218)	(474,744)	(978,669)	(627,517)	(334,927)	(161,802)	(8,632,800)
Total gross general insurance outstanding claims provision as per consolidated statement of financial position	89,941	57,680	58,824	103,694	146,458	226,661	319,994	600,076	806,687	716,354	3,126,369

(Note 25(b))

31st December, 2022

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

General insurance contracts (cont'd)

(4) Loss development triangle (cont'd)

Net general insurance claims

	2013 and before <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accident year	3,772,559	558,328	498,393	457,531	613,420	574,089	520,818	477,928	580,905	502,995	
One year later	4,023,300	542,235	513,819	471,457	573,797	722,837	626,319	617,809	707,691	–	
Two years later	4,130,428	509,374	495,951	458,919	548,541	697,274	749,745	798,210	–	–	
Three years later	4,083,233	453,512	457,226	417,649	517,105	524,587	556,684	–	–	–	
Four years later	4,041,196	439,208	423,585	402,821	419,345	424,644	–	–	–	–	
Five years later	3,972,545	387,824	411,098	416,226	432,551	–	–	–	–	–	
Six years later	3,782,788	377,701	388,041	408,902	–	–	–	–	–	–	
Seven years later	3,767,605	429,241	439,110	–	–	–	–	–	–	–	
Eight years later	3,739,625	424,736	–	–	–	–	–	–	–	–	
Nine years later	2,901,595	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative net claims	2,901,595	424,736	439,110	408,902	432,551	424,644	556,684	798,210	707,691	502,995	7,597,118
Cumulative net payments to date	(2,830,360)	(386,926)	(396,139)	(343,188)	(348,848)	(303,162)	(360,995)	(456,696)	(187,290)	(95,959)	(5,709,563)
Total net general insurance outstanding claims provision as per consolidated statement of financial position	71,235	37,810	42,971	65,714	83,703	121,482	195,689	341,514	520,401	407,036	1,887,555

(Note 25(b))

Notes to Financial Statements

31st December, 2022

36. Fair Value Hierarchy of Financial Instruments

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

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.

31st December, 2022

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, 2022:

	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 – 30%	20% increase/(decrease) in discount would result in (decrease)/increase in fair value by HK\$273,115,000
		Price to book value multiple	0.21 – 3.26	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$14,461,000
		Enterprise value to earnings multiple	1.25 – 40.89	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$3,080,000
		Enterprise value to sales multiple	1.25 – 2.33	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$938,000
		Price to earnings multiple	4.24 – 17.09	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$40,200,000
		Price to embedded value multiple	0.14 – 1.87	15% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$412,500,000

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

31st December, 2022

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 (restated):

	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\$332,334,000
		Price to book value multiple	0.33 – 2.07	10% increase/(decrease) in multiple would result in increase/(decrease) in fair value by HK\$19,635,000
		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.

31st December, 2022

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, 2022				
Equity investments designated at fair value through other comprehensive income	641,668	1,588,670	3,194,052	5,424,390
Financial assets at fair value through profit or loss	1,139,415	407,112	249,964	1,796,491
	<u>1,781,083</u>	<u>1,995,782</u>	<u>3,444,016</u>	<u>7,220,881</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, 2021 (Restated)				
Equity investments designated at fair value through other comprehensive income	538,235	1,098,711	3,638,209	5,275,155
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>3,831,338</u>	<u>6,952,814</u>

Notes to Financial Statements

31st December, 2022

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, 2022 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> (Restated)
At 1st January, 2021 (Restated)	117,482	5,086,149
Purchase during 2021	31,841	–
Disposal during 2021	(5,379)	–
Total gain recognised in profit or loss	49,185	–
Total loss recognised in other comprehensive income	–	(1,391,456)
Distribution to Non-controlling interest	–	(56,484)
At 31st December, 2021 and at 1st January, 2022	193,129	3,638,209
Purchase during 2022	80,840	–
Disposal during 2022	(9,232)	–
Total loss recognised in profit or loss	(14,773)	–
Total loss recognised in other comprehensive income	–	(444,157)
At 31st December, 2022	249,964	3,194,052
Total unrealised loss for the year included in profit or loss for financial assets held as at 31st December, 2022	(14,773)	–

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31st December, 2022 and 2021.

During the years ended 31st December, 2022 and 2021, there were no transfers of fair value measurements into or out of Level 3 for both financial assets and financial liabilities.

During the years ended 31st December, 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

31st December, 2022

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, 2022			
Held-to-collect debt securities at amortised cost	<u>966,230</u>	<u>158,745</u>	<u>1,124,975</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, 2021 (Restated)			
Held-to-collect debt securities at amortised cost	<u>980,088</u>	<u>172,446</u>	<u>1,152,534</u>

31st December, 2022

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, 2022

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, 2022

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, 2022. 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 ECLs	Life time ECLs			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	HK\$'000
Due from associates	256,872	–	–	–	256,872
Held-to-collect debt securities at amortised cost	1,188,695	–	–	–	1,188,695
Insurance receivables*	–	–	–	249,211	249,211
Financial assets included in loans and advances and other assets – Normal**	248,369	–	–	–	248,369
Pledged deposits – Not yet past due	295,808	–	–	–	295,808
Cash and bank balances – Not yet past due	2,728,885	–	–	–	2,728,885
Total	4,718,629	–	–	249,211	4,967,840

* 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, 2022

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 (Restated)

	12-month ECLs	Life time ECLs			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	HK\$'000
Due from associates	256,872	–	–	–	256,872
Held-to-collect debt securities at amortised cost	1,125,262	–	–	–	1,125,262
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 bank balances					
– 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”.

31st December, 2022

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:

	2022			
	On demand and less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Provision for claims reported by policyholders	194,815	1,167,528	–	1,362,343
IBNR	253,444	1,518,892	–	1,772,336
Insurance payables	129,768	–	–	129,768
Due to associates	4,222	–	–	4,222
Lease liabilities	3,622	2,528	–	6,150
Accruals and other payables	280,064	–	–	280,064
	<u>865,935</u>	<u>2,688,948</u>	<u>–</u>	<u>3,554,883</u>

Notes to Financial Statements

31st December, 2022

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

(3) Liquidity risk management (cont'd)

	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>

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

31st December, 2022	Current* HK\$'000	Non-current HK\$'000	Total HK\$'000
Property, plant and equipment	–	187,249	187,249
Investment properties	–	243,100	243,100
Interests in joint ventures	–	587,347	587,347
Interests in associates	–	793,668	793,668
Due from associates	88,482	168,390	256,872
Held-to-collect debt securities at amortised cost	206,473	981,141	1,187,614
Equity investments designated at fair value through other comprehensive income	–	5,424,390	5,424,390
Pledged deposits	295,808	–	295,808
Loans and advances and other assets	253,753	2,484	256,237
Financial assets at fair value through profit or loss	1,796,491	–	1,796,491
Insurance receivables	231,788	–	231,788
Reinsurance assets	1,651,379	–	1,651,379
Cash and bank balances	2,728,885	–	2,728,885
Total assets	<u>7,253,059</u>	<u>8,387,769</u>	<u>15,640,828</u>

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

31st December, 2022

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, 2021 (Restated)	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	–	870,874	870,874
Due from associates	88,482	168,390	256,872
Held-to-collect debt securities at amortised cost	105,393	1,018,813	1,124,206
Equity investments designated at fair value through other comprehensive income	–	5,275,155	5,275,155
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 bank balances	2,873,685	–	2,873,685
Total assets	7,011,264	8,427,841	15,439,105

* 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.

Notes to Financial Statements

31st December, 2022

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
2022 required Relevant Amount	19,840	208,756
2021 required Relevant Amount	21,976	195,246

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 and other liabilities, less cash and bank balances and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company. As at 31st December, 2022, 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.

31st December, 2022

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 and loans and advances and other assets 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.

		2022		2021	
		Increase/(decrease)		Increase/(decrease)	
	Change in interest rate	in profit	in equity*	in profit	in equity*
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value	+50 basis points	(840)	–	(1,096)	–
through profit or loss	–50 basis points	840	–	1,096	–
Interest-bearing	+50 basis points	14,588	–	15,306	–
bank deposits	–50 basis points	(14,588)	–	(15,306)	–
Loans and advances	+50 basis points	16	–	28	–
and other assets	–50 basis points	(16)	–	(28)	–

* 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).

Notes to Financial Statements

31st December, 2022

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
2022		
If Thai Baht weakens against Hong Kong dollar	-5%	(248)
If Japanese Yen weakens against Hong Kong dollar	-8%	(1,249)
If Renminbi weakens against Hong Kong dollar	-7%	(21,941)
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)

(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, 2022

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

(7) Insurance risk management (cont'd)

	Insurance contracts liabilities HK\$'000	2022 Reinsurers' share of liabilities HK\$'000	Net HK\$'000	Insurance contracts liabilities HK\$'000	2021 Reinsurers' share of liabilities HK\$'000	Net HK\$'000
Employees' compensation	1,264,246	(174,625)	1,089,621	1,296,125	(174,287)	1,121,838
Property damage	1,391,308	(622,652)	768,656	1,211,939	(615,886)	596,053
General liability	824,487	(451,771)	372,716	751,520	(389,045)	362,475
Motor vehicle	435,101	(161,632)	273,469	446,933	(177,510)	269,423
Others	477,155	(240,699)	236,456	403,418	(236,968)	166,450
Total general insurance	4,392,297	(1,651,379)	2,740,918	4,109,935	(1,593,696)	2,516,239

As at 31st December, 2022, over 90% (2021: 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, 2022. 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.

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
2022				
Equity investments in:				
Hong Kong				
– Listed financial assets at	+15%	393,698	59,055	–
fair value through profit or loss	–15%	393,698	(59,055)	–
United States				
– Listed financial assets at	+10%	449,984	44,998	–
fair value through profit or loss	–10%	449,984	(44,998)	–
Thailand				
– Listed equity investments at	+5%	2,230,338	–	111,517
fair value through other	–5%	2,230,338	–	(111,517)
comprehensive income				
– Listed financial assets at	+5%	243,638	12,182	–
fair value through profit or loss	–5%	243,638	(12,182)	–
All other areas				
– Listed financial assets at	+10%	2,145	215	–
fair value through profit or loss	–10%	2,145	(215)	–

* Excluding retained profits

Notes to Financial Statements

31st December, 2022

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

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

	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	+15%	295,245	44,287	–
fair value through profit or loss	–15%	295,245	(44,287)	–
United States				
– Listed financial assets at	+10%	385,862	38,586	–
fair value through profit or loss	–10%	385,862	(38,586)	–
Thailand				
– Listed equity investments at	+5%	1,636,946	–	81,847
fair value through other	–5%	1,636,946	–	(81,847)
comprehensive income				
– Listed financial assets at	+5%	162,856	8,143	–
fair value through profit or loss	–5%	162,856	(8,143)	–
All other areas				
– Listed financial assets at	+10%	3,389	339	–
fair value through profit or loss	–10%	3,389	(339)	–
* Excluding retained profits				

31st December, 2022

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:

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Interests in subsidiaries	1,721,957	1,721,957
Due from subsidiaries	1,437,219	1,277,269
Interest in a joint venture	–	–
Equity investments at fair value through other comprehensive income	3,018,000	3,423,000
Loans and advances and other assets	11,497	9,567
Cash and bank balances	548,500	646,944
Total assets	6,737,173	7,078,737
EQUITY AND LIABILITIES		
Equity		
Issued capital	936,588	939,966
Reserves (<i>note</i>)	5,227,440	5,494,416
Proposed final dividend	32,759	98,623
Total equity	6,196,787	6,533,005
Liabilities		
Other liabilities	16,972	28,995
Due to subsidiaries	360,726	311,799
Deferred tax liabilities	162,688	204,938
Total liabilities	540,386	545,732
Total equity and liabilities	6,737,173	7,078,737

Notes to Financial Statements

31st December, 2022

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, 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 and 1st January, 2022	1,693,977	(2,497)	560,531	60,060	118,055	3,064,290	5,494,416
Profit for the year	–	–	–	–	–	148,564	148,564
Other comprehensive income for the year:							
Changes in fair value of equity							
investments at fair value through other							
comprehensive income, net of tax	(362,750)	–	–	–	–	–	(362,750)
Total comprehensive income for the year	(362,750)	–	–	–	–	148,564	(214,186)
Repurchase of shares (note 23)	–	2,089	–	–	–	(8,120)	(6,031)
Transfer to capital redemption reserve (note 23)	–	–	–	–	3,378	(3,378)	–
Interim 2022 dividend	–	–	–	–	–	(14,070)	(14,070)
Proposed final 2022 dividend (note 10)	–	–	–	–	–	(32,759)	(32,759)
Over-provision of 2021 final dividend	–	–	–	–	–	70	70
At 31st December, 2022	1,331,227	(408)	560,531	60,060	121,433	3,154,597	5,227,440

31st December, 2022

39. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31st December, 2022 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
Bedaes 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
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

Notes to Financial Statements

31st December, 2022

39. Particulars of Principal Subsidiaries (cont'd)

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

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

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27th March, 2023.