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亞洲金融集團(控股)有限公司*
Asia Financial Holdings Ltd.

Incorporated in Bermuda with limited liability

(Stock Code: 662)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2013 as follows:

Consolidated Statement of Profit or Loss

Year ended 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
REVENUE	3	<u>1,448,080</u>	<u>1,321,365</u>
Gross premiums		1,363,390	1,182,994
Reinsurers' share of gross premiums		<u>(420,244)</u>	<u>(340,973)</u>
Net insurance contracts premiums revenue		943,146	842,021
Gross claims paid		(528,717)	(535,632)
Reinsurers' share of gross claims paid		116,296	124,704
Gross change in outstanding claims		(234,008)	(161,541)
Reinsurers' share of gross change in outstanding claims		<u>65,395</u>	<u>48,249</u>
Net claims incurred		(581,034)	(524,220)
Commission income		72,087	71,034
Commission expense		<u>(273,316)</u>	<u>(249,152)</u>
Net commission expense		(201,229)	(178,118)
Management expenses for underwriting business		<u>(62,325)</u>	<u>(57,869)</u>
Underwriting profit		98,558	81,814

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Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Dividend income		75,116	68,017
Realised gain/(loss) on investments		(5,598)	80,544
Unrealised gain on investments		63,910	153,662
Interest income		71,036	67,856
Other income and gains, net		<u>9,379</u>	<u>1,797</u>
		312,401	453,690
Operating expenses		(92,650)	(90,305)
Finance costs	4	<u>(2,545)</u>	<u>-</u>
		217,206	363,385
Share of profits and losses of joint ventures		35,809	31,194
Share of profits and losses of associates		<u>35,202</u>	<u>50,446</u>
PROFIT BEFORE TAX	5	288,217	445,025
Income tax expense	6	<u>(13,010)</u>	<u>(38,990)</u>
PROFIT FOR THE YEAR		<u>275,207</u>	<u>406,035</u>
Attributable to:			
Equity holders of the Company		270,731	403,796
Non-controlling interests		<u>4,476</u>	<u>2,239</u>
		<u>275,207</u>	<u>406,035</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
- For profit for the year		<u>HK26.6 cents</u>	<u>HK39.6 cents</u>
Diluted			
- For profit for the year		<u>N/A</u>	<u>N/A</u>

Details of the dividends payable and proposed are disclosed in note 7 to the announcement.

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2013

	2013 HK\$'000	2012 HK\$'000
PROFIT FOR THE YEAR	<u>275,207</u>	<u>406,035</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	<u>(167,423)</u>	<u>443,809</u>
Share of other comprehensive income/(expense) of joint ventures:		
Changes in available-for-sale investment reserve	466	434
Changes in exchange reserve	(2,423)	2,175
Reclassification of exchange difference included in the consolidated statement of profit or loss for capital reduction of a joint venture	-	(5,476)
	<u>(1,957)</u>	<u>(2,867)</u>
Share of other comprehensive income/(expense) of associates:		
Changes in available-for-sale investment reserve	(11,023)	16,767
Changes in exchange reserve	8,966	2,983
	<u>(2,057)</u>	<u>19,750</u>
Exchange differences on translation of foreign operations	<u>(45)</u>	<u>471</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>(171,482)</u>	<u>461,163</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>103,725</u></u>	<u><u>867,198</u></u>
ATTRIBUTABLE TO:		
Equity holders of the Company	102,606	859,871
Non-controlling interests	1,119	7,327
	<u><u>103,725</u></u>	<u><u>867,198</u></u>

Consolidated Statement of Financial Position

31st December, 2013

	2013 HK\$'000	2012 HK\$'000
ASSETS		
Property, plant and equipment	144,657	150,174
Investment property	7,260	4,770
Interests in joint ventures	227,615	209,863
Loan to a joint venture	11,503	14,337
Interests in associates	291,389	230,270
Due from an associate	168,390	168,390
Deferred tax assets	7,111	11,571
Held-to-maturity securities	697,217	681,904
Available-for-sale securities	3,030,914	2,853,817
Pledged deposits	120,080	102,605
Loans and advances and other assets	220,352	209,881
Securities measured at fair value through profit or loss	1,912,760	1,759,393
Insurance receivables	250,395	198,499
Reinsurance assets	588,997	541,140
Cash and cash equivalents	<u>1,566,933</u>	<u>1,484,550</u>
Total assets	<u><u>9,245,573</u></u>	<u><u>8,621,164</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Issued capital	1,019,200	1,019,200
Reserves	5,179,836	5,138,382
Proposed final dividend	<u>45,864</u>	<u>43,826</u>
	<u>6,244,900</u>	6,201,408
Non-controlling interests	<u>30,520</u>	<u>21,776</u>
Total equity	<u><u>6,275,420</u></u>	<u><u>6,223,184</u></u>
Liabilities		
Insurance contract liabilities	2,251,822	1,933,124
Insurance payables	200,163	174,095
Due to a joint venture	26,244	-
Due to associates	4,222	4,222
Other liabilities	257,315	222,562
Interest-bearing bank borrowing	200,000	-
Tax payable	20,541	54,131
Deferred tax liabilities	<u>9,846</u>	<u>9,846</u>
Total liabilities	<u><u>2,970,153</u></u>	<u><u>2,397,980</u></u>
Total equity and liabilities	<u><u>9,245,573</u></u>	<u><u>8,621,164</u></u>

Notes

1. Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.
- (b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

Notes (continued)

1. Changes in Accounting Policies and Disclosures (continued)

- (c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

Notes (continued)

2. Operating Segment Information

(a) Operating segments

The following tables present revenue and profit and assets and liabilities for the Group's operating segments.

Group	Insurance 2013 HK\$'000	Corporate 2013 HK\$'000	Eliminations 2013 HK\$'000	Consolidated 2013 HK\$'000
Segment revenue:				
External customers	1,448,080	-	-	1,448,080
Other revenue, income, gains, net	138,350	75,493	-	213,843
Intersegment	3,322	-	(3,322)	-
Total	1,589,752	75,493	(3,322)	1,661,923
Segment results	189,483	27,723	-	217,206
Share of profits and losses of:				
Joint ventures	18,185	17,624	-	35,809
Associates	16,799	18,403	-	35,202
Profit before tax				288,217
Income tax expense	(9,259)	(3,751)	-	(13,010)
Profit for the year				275,207
Group	Insurance 2012 HK\$'000	Corporate 2012 HK\$'000	Eliminations 2012 HK\$'000	Consolidated 2012 HK\$'000
Segment revenue:				
External customers	1,321,365	-	-	1,321,365
Other revenue, income, gains, net	241,194	130,682	-	371,876
Intersegment	1,951	-	(1,951)	-
Total	1,564,510	130,682	(1,951)	1,693,241
Segment results	276,666	86,719	-	363,385
Share of profits and losses of:				
Joint ventures	15,233	15,961	-	31,194
Associates	13,026	37,420	-	50,446
Profit before tax				445,025
Income tax expense	(30,538)	(8,452)	-	(38,990)
Profit for the year				406,035

Notes (continued)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2013			
Segment assets	5,043,178	3,683,391	8,726,569
Interests in joint ventures	134,132	93,483	227,615
Interests in associates	<u>131,822</u>	<u>159,567</u>	<u>291,389</u>
Total assets	<u>5,309,132</u>	<u>3,936,441</u>	<u>9,245,573</u>
Segment liabilities	<u>2,549,219</u>	<u>420,934</u>	<u>2,970,153</u>
Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2012			
Segment assets	4,870,933	3,310,098	8,181,031
Interests in joint ventures	119,691	90,172	209,863
Interests in associates	<u>98,072</u>	<u>132,198</u>	<u>230,270</u>
Total assets	<u>5,088,696</u>	<u>3,532,468</u>	<u>8,621,164</u>
Segment liabilities	<u>2,145,964</u>	<u>252,016</u>	<u>2,397,980</u>

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	2013 HK\$'000	2012 HK\$'000
Interest on a bank loan wholly repayable within five years	<u>2,545</u>	<u>-</u>

Notes (continued)

5. Profit before Tax

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

	2013 HK\$'000	2012 HK\$'000
Depreciation	(5,762)	(8,020)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	(90,114)	(88,210)
Pension scheme contributions	(4,120)	(3,795)
Less: Forfeited contributions	<u>73</u>	<u>140</u>
Net pension scheme contributions	<u>(4,047)</u>	<u>(3,655)</u>
Total employee benefit expense	<u>(94,161)</u>	<u>(91,865)</u>
Minimum lease payments under operating leases in respect of land and buildings	(1,305)	(1,014)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	(4,257)	67,537
- exercise of prepaid derivative	-	11,508
- disposal of available-for-sale securities	58	70
- redemption/call-back of held-to-maturity securities	<u>(1,399)</u>	<u>1,429</u>
Total realised gain/(loss) on investments	<u>(5,598)</u>	<u>80,544</u>
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	64,004	157,381
Impairment of available-for-sale securities	(740)	(3,760)
Write-back of impairment of available-for-sale-securities	<u>646</u>	<u>41</u>
Total unrealised gain on investments	<u>63,910</u>	<u>153,662</u>
Interest income	71,036	67,856
Gain/(loss) on disposal/write-off of items of property, plant and equipment	(12)	117
Change in fair value of an investment property	2,490	620
Impairment allowance on insurance receivables	-	(300)
Reclassification of exchange difference included in the consolidated statement of profit or loss for capital reduction of a joint venture [#]	-	5,476

Notes (continued)

5. Profit before Tax (continued)

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

	2013 HK\$'000	2012 HK\$'000
Dividend income from:		
Listed investments	62,982	62,650
Unlisted investments	<u>12,134</u>	<u>5,367</u>
	<u>75,116</u>	<u>68,017</u>

Reclassification of exchange difference included in the consolidated statement of profit or loss for capital reduction of a joint venture was included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss.

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 HK\$'000	2012 HK\$'000
Group:		
Current - Hong Kong		
Charge for the year	16,431	12,083
Overprovision in prior years	(12,097)	(2)
Current - Elsewhere		
Charge for the year	4,216	3,392
Underprovision in prior years	-	59
Deferred	<u>4,460</u>	<u>23,458</u>
Total tax charge for the year	<u>13,010</u>	<u>38,990</u>

Notes (continued)

7. Dividends

	2013	2012
	HK\$'000	HK\$'000
Interim – HK1.5 cents (2012: HK3.5 cents) per ordinary share	15,288	35,672
Proposed final – HK4.5 cents (2012: HK4.3 cents) per ordinary share	<u>45,864</u>	<u>43,826</u>
	<u>61,152</u>	<u>79,498</u>

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

8. 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\$270,731,000 (2012: HK\$403,796,000) and 1,019,200,000 (2012: 1,019,200,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Profit attributable to equity holders of the Company:	HK\$270.7 million	-33.0%
Earnings per share:	HK26.6 cents	-32.8%
Final dividend per share:	HK4.5 cents	+4.7%
Total dividend per share:	HK6.0 cents	-23.1%

Asia Financial Holdings Limited ("Asia Financial") achieved net profit attributable to shareholders of HK\$270.7 million in 2013, a 33.0% fall from the HK\$403.8 million reported in 2012. This result is due to the decrease in the realised and unrealised gain in the value of portfolio investments, which outweighed continued growth in underwriting profit and insurance operations. Overall returns from joint ventures and associated companies showed satisfactory performance.

Economic Background

The global economy continued its long cyclical recovery from recession during 2013. Growth in the United States was sufficient to generate job creation and some strengthening of property prices, while the Chinese economy began to slow down after a period of debt- and investment-led expansion. Hong Kong showed GDP expansion of 3% for the year and maintained low unemployment.

Loose monetary policy around the world and expectations of future recovery in leading economies led to some rises in asset prices during the year. In the United States, the S&P500 ended the year up 29.6%; in Europe, the FTSE Eurofirst was up 16% and Japan's Nikkei was up 57%. However, the Hang Seng Index rose just 2.9%, and was particularly weighed down by weakness in Mainland-linked stocks during much of the year; this accounted for much of the year-on-year decline in Asia Financial's investment income. Positive performance among both overseas and domestic sectors of Hong Kong's economy supported growth in insurance operations.

Management Approach and Future Prospects

Despite some positive signs for the global economy during 2013, the outlook for the year ahead is uncertain. The prospect of rising interest rates has recently unnerved markets in developed and emerging economies; meanwhile, the US economy still needs to rebalance in favour of more investment, just as China's needs to adjust more towards consumption. However, we believe the prospects for significant rises in interest rates are in fact limited, and Europe and the US can expect continued recovery. We are therefore cautiously optimistic about the global economy and markets in 2014.

Given this continued uncertainty, we will maintain our prudent management of our cash and direct and indirect investments in the coming year. This is our longstanding approach, and it has served our shareholders well over the years. At the same time, we will continue to examine possible investment opportunities within acceptable levels of risk. We must also remain mindful of our costs, given that consumer price inflation in Hong Kong remained at around 4% in 2013.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)

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

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

Overview by Investment Segments

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance")'s profit attributable to shareholders fell by 21.5% in 2013 compared with the previous year. Turnover rose by 9.6%, supported in particular by rising employees' compensation premiums. Underwriting profit increased by a healthy 20.3%, reflecting continued success in general development of the business, and helped by a lack of exposure to any major acts of god during the reporting period.

This continued positive performance of insurance operations reflects ongoing efforts to attract and grow high-quality business and to maintain prudent balances between levels of reinsurance and direct insurance business and among geographical regions. The success of these measures underlines Asia Insurance's status as one of Hong Kong's leading local insurers.

The continued strength of the employees' compensation is partly due to the large number of construction projects taking place in Hong Kong and Macau, but it also reflects our efforts to enlarge specialized risk management capacities in this sector. Most other lines of business produced stable profits. There were no significant changes to the size and reach of our agent network.

As with Asia Financial's other portfolio investments, Asia Insurance's securities holdings suffered a drop in year-on-year gain in valuations owing to sluggishness and volatility in key stock markets, especially Greater China, during 2013. This was partly offset by an increase in investment income arising from an increase in bond holdings, higher deposit rates and a higher weighting given to RMB holdings. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

Other income rose 105.9% largely as a result of one-off fees, foreign exchange gains and investment property revaluation.

The 2.4% rise in expenses is well within inflation and reflects well on Asia Insurance's efforts to keep costs under control despite growth in turnover.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Insurance (continued)

Asia Insurance continued in 2013 to build on its sound reputation among a steadily expanding base of clients in the Hong Kong and regional general insurance market. The outlook for core underwriting in 2014 looks reasonable, not least because of continuing high levels of infrastructure construction and resilient consumption levels.

Asia Insurance has expanded its management capacity in the employees' benefits sector. It already provides group life and health coverage for a range of quality large and medium employers in both the private and public sector, and we see further opportunities in this segment. We are also paying close attention to possible new opportunities arising from the Hong Kong government's intentions to expand personal health care coverage, although this policy still faces some political uncertainty.

One potential problem for Asia Insurance's core business (and indeed Hong Kong as a whole) would be a major setback to the Mainland China or wider regional economy. Prospects for portfolio investments reflect the wider global picture, and management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment all performed satisfactorily. Hong Kong Life Insurance Limited's profit rebounded, helped particularly by exposure to investments in bonds. BC Reinsurance Limited saw lower investment income in line with market volatility, but showed good underwriting profit performance. The People's Insurance Company of China (Hong Kong), Limited reported a healthy increase in profit, and Professional Liability Underwriting Services Limited continued to perform steadily.

PICC Life Insurance Company Limited in Mainland China, in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence in a country where life insurance premiums are growing at double-digit rates. It now ranks fifth in the Chinese market and operates a network of some 2,088 offices. The company reported RMB75.3 billion in gross premiums for 2013, up 17.6% on the same period for the year before. All other business performance and risk control indicators showed positive and healthy figures. The insurance liability reserves and solvency ratio were maintained at high levels in line with the fast-growing business volume.

Other Portfolio Investment

Realised and unrealised gains on trading investments fell compared with 2012. This largely reflected weak and sometimes volatile performance in key equities markets, notably as a result of tightening liquidity in China and of political uncertainty in Thailand. Net interest income increased slightly in line with exposure to bonds and firmer deposit rates. The small rise in the expenses largely reflects certain one-off costs; underlying recurrent costs are under control.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Other Portfolio Investment (continued)

The uncertainty and volatility in equities markets has continued into 2014, and forecasts by market analysts differ sharply about the outlook for asset prices in the coming year as global monetary easing slows down. Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

Health Care

Our 3.7% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok remains one of our best performing investments, with its valuation rising 10.6% in 2013. This is largely due to market recognition of Bumrungrad's success in attracting patients internationally through the delivery of high-quality medical services. This success looks likely to continue.

Asia Financial is involved in a number of future health care-related projects. We are preparing to open a wellness centre aimed at the over-50s in Hong Kong later this year; more details about this new type of venture will be released in due course. We are also taking part in a hospital-related project in Mongolia in conjunction with Bumrungrad; and we are actively considering participation in a potential specialist facility in Mainland China. More details about these will be released as and when plans are finalised. These and other possible investments reflect our belief in very good prospects for the health care business in the region, owing to long-term demographic and policy trends. We will remain alert to further potential new opportunities in the sector.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH") enjoyed healthy profit growth in 2013, and for the second year declared a dividend. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong and is now selling back-office services to other players. Members of MPF schemes may now transfer their personal contributions up to one time a year to other service providers; so far, this has not had much effect on the behaviour. At some stage, employees will have control over all their funds, and this may lead to greater competition in the market. We are confident that BCT's commitment to quality client service will give it an edge in retaining and indeed attracting funds. Future expansion of this market will to some extent be influenced by government policy, but we expect BCT to remain a solid and steady contributor to Asia Financial.

Property Development

The Group's interests in real estate are focused on Shanghai and Suzhou and represent 4.4% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake. Sales of 156 remaining units in Phase 2 of the project were completed during 2013, yielding share of profits of HK\$18.4 million booked for the year. The remaining 46 units at Phase 2 are expected to be sold equally successfully during 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Property Development (continued)

Plans for the development of Phase 3 and a smaller plot of land are now underway. Initial work on eight towers on the smaller plot has begun, and sales of apartments are expected to begin in 2015. Phase 3 will be divided into two stages, which are expected to result in seven towers coming on the market in 2016 and eight towers in 2017. Asia Financial therefore expects a further four years of income from these combined projects.

The outlook for the China residential property market depends to some extent on regulatory issues. However, we are confident that where financing is concerned, existing capital and cash flow will be sufficient for future projects. We are also confident that our projects contribute to a socially positive housing market, being aimed at middle-class end-users in a competitive local market, and are therefore not the prime targets of anti-speculative policies. Given the overall success of this project, we will consider new possible opportunities in this sector.

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2013 amounted to HK\$1,566,933,000 (2012: HK\$1,484,550,000).

The Group had a bank borrowing of HK\$200,000,000 as at 31st December, 2013 (2012: Nil), which was secured by certain Hong Kong listed shares, repayable on demand and charged at 1% over the 3-month Hong Kong Interbank Offered Rate.

No gearing ratio was calculated as the Group had no net debt as at 31st December, 2013. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to associates and a joint venture, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

Charge on Assets

As at 31st December, 2013, Asia Insurance charged assets with a carrying value of HK\$127,981,000 (2012: HK\$102,912,000) in favour of a cedant to secure the performance of Asia Insurance's obligation to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain Hong Kong listed shares with a market value of not less than HK\$200,000,000 (2012: Nil) to a bank to secure the interest-bearing bank borrowing of HK\$200,000,000 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Contingent Liabilities

As at 31st December, 2013, there was an outstanding counter guarantee issued by the Company in favour of People's Insurance Company (Group) of China Limited (the "PICC Group") amounting to 5% of all the liabilities and expenses of RMB112.5 million (approximately HK\$144.1 million) (2012: RMB112.5 million) under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group for the year ended 31st December, 2013 was 261 (2012: 255). 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 set up by the Remuneration Committee of the Company, responsibilities of which include reviewing and approving the management's remuneration proposals, and to make recommendations to the Board on the Group's annual adjustments to remuneration packages payable to directors, senior management and employees of the Group.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Wednesday, 7th May, 2014. Notice of the AGM will be published and despatched to the shareholders on or about Friday, 28th March, 2014.

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK4.5 cents (2012: HK4.3 cents) per share which, together with the interim dividend of HK1.5 cents (2012: HK3.5 cents) per share, will make a total dividend of HK6.0 cents (2012: HK7.8 cents) per share for the year ended 31st December, 2013. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Monday, 19th May, 2014 and the dividend warrants will be despatched to shareholders on or about Monday, 26th May, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of ascertaining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	4:30 p.m. on 2nd May, 2014
Book close dates (both days inclusive)	5th to 7th May, 2014
Record date	7th May, 2014
AGM	7th May, 2014

(b) For the purpose of ascertaining shareholders' entitlement to the proposed final dividend:

Ex-dividend date for final dividend	13th May, 2014
Latest time to lodge transfers	4:30 p.m. on 14th May, 2014
Book close dates (both days inclusive)	15th to 19th May, 2014
Record date for final dividend	19th May, 2014

All transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than the above specified time.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31st December, 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31st December, 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31st December, 2013.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2013 annual report will be despatched to the shareholders and available at the same websites on or about Friday, 28th March, 2014.

By Order of the Board
Asia Financial Holdings Limited
Robin Y.H. Chan
Chairman

Hong Kong, 3rd March, 2014

As at the date of this announcement, the executive directors of the Company are Dr. CHAN Yau Hing Robin (Chairman), Mr. CHAN Bernard Charnwut (President), Mr. TAN Stephen, Mr. WONG Kok Ho; the non-executive directors are Mr. LAU Ki Chit, Mr. SOPHONPANICH Choedchu, Mr. NG Song Hin, Ms. CHAN Yeow Toh, Mr. YAMAGUCHI Yoshihiro; and the independent non-executive directors are Ms. CHOW Suk Han Anna, Mr. MA Andrew Chiu Cheung, Mr. SIAO Chi Lam Kenneth, Dr. WONG Yu Hong Philip and Mrs. LAI KO Wing Yee Rebecca.

* *For identification purpose only*