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亞洲金融集團(控股)有限公司*
ASIA FINANCIAL HOLDINGS LIMITED
Incorporated in Bermuda with limited liability

(Stock Code: 662)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company" or "Asia Financial") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2020 as follows:

Consolidated Statement of Profit or Loss

Year ended 31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	3	<u>1,747,918</u>	<u>1,702,009</u>
Gross premiums		1,668,958	1,545,448
Reinsurers' share of gross premiums		<u>(632,083)</u>	<u>(568,797)</u>
Net insurance contracts premiums revenue		1,036,875	976,651
Gross claims paid		(723,229)	(946,606)
Reinsurers' share of gross claims paid		339,447	553,415
Gross change in outstanding claims		(252,680)	(163,601)
Reinsurers' share of gross change in outstanding claims		<u>126,296</u>	<u>70,548</u>
Net claims incurred		(510,166)	(486,244)
Commission income		138,134	135,657
Commission expense		<u>(393,258)</u>	<u>(387,841)</u>
Net commission expense		(255,124)	(252,184)
Management expenses for underwriting business		<u>(117,647)</u>	<u>(87,275)</u>
Underwriting profit		153,938	150,948

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Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Dividend income		166,270	118,832
Realised gain/(loss) on investments		(64,049)	22,884
Unrealised gain on investments		98,856	33,871
Interest income		77,671	102,335
Other income and gains/(losses), net		<u>(8,228)</u>	<u>454</u>
		424,458	429,324
Operating expenses		(133,132)	(138,088)
Finance costs	4	<u>(383)</u>	<u>(4,022)</u>
		290,943	287,214
Share of profits or losses of joint ventures		26,883	46,801
Share of profits or losses of associates		<u>54,595</u>	<u>100,244</u>
PROFIT BEFORE TAX	5	372,421	434,259
Income tax expense	6	<u>(27,474)</u>	<u>(26,691)</u>
PROFIT FOR THE YEAR		<u>344,947</u>	<u>407,568</u>
Attributable to:			
Equity holders of the Company		337,952	408,965
Non-controlling interests		<u>6,995</u>	<u>(1,397)</u>
		<u>344,947</u>	<u>407,568</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted			
- For profit for the year		<u>HK35.4 cents</u>	<u>HK42.2 cents</u>

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2020

	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR	<u>344,947</u>	<u>407,568</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	9,879	16,343
Share of other comprehensive income of associates	32,443	2,255
Exchange differences on translation of foreign operations	<u>(910)</u>	<u>(676)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>41,412</u>	<u>17,922</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	542,491	711,615
Income tax effect	<u>(85,939)</u>	<u>(106,838)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>456,552</u>	<u>604,777</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>497,964</u>	<u>622,699</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>842,911</u></u>	<u><u>1,030,267</u></u>
ATTRIBUTABLE TO:		
Equity holders of the Company	835,359	1,027,506
Non-controlling interests	<u>7,552</u>	<u>2,761</u>
	<u><u>842,911</u></u>	<u><u>1,030,267</u></u>

Consolidated Statement of Financial Position

31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS			
Property, plant and equipment		194,232	181,382
Investment properties		257,500	285,300
Interests in joint ventures		515,444	496,698
Interests in associates		427,519	507,333
Due from associates		256,140	256,140
Held-to-collect debt securities at amortised cost		1,042,767	738,587
Equity investments designated at fair value through other comprehensive income		6,850,964	5,801,466
Pledged deposits		313,357	305,590
Loans and advances and other assets		153,702	117,982
Financial assets at fair value through profit or loss		1,341,716	1,147,947
Insurance receivables	9	231,385	251,060
Reinsurance assets		1,531,060	1,401,886
Cash and cash equivalents		2,800,240	3,366,602
Total assets		<u>15,916,026</u>	<u>14,857,973</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	10	946,620	960,840
Reserves		9,991,849	9,267,043
Proposed final dividend		65,970	47,968
		<u>11,004,439</u>	<u>10,275,851</u>
Non-controlling interests		54,881	47,329
Total equity		<u>11,059,320</u>	<u>10,323,180</u>
Liabilities			
Insurance contracts liabilities		3,935,104	3,603,464
Insurance payables	11	169,375	207,099
Due to associates		4,222	4,222
Other liabilities		304,552	264,101
Interest-bearing bank borrowing		-	100,000
Tax payable		69,637	73,957
Deferred tax liabilities		373,816	281,950
Total liabilities		<u>4,856,706</u>	<u>4,534,793</u>
Total equity and liabilities		<u>15,916,026</u>	<u>14,857,973</u>

Notes

1. Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following 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.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework")

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to HKFRS 3 Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.

Notes (continued)

1. Changes in Accounting Policies and Disclosures (continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1st June, 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

Notes (continued)

2. Operating Segment Information

(a) Operating segments

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

	Insurance 2020 HK\$'000	Corporate 2020 HK\$'000	Eliminations 2020 HK\$'000	Consolidated 2020 HK\$'000
Segment revenue:				
External customers	1,747,918	-	-	1,747,918
Other revenue, income and gains, net	109,687	160,833	-	270,520
Intersegment	5,911	-	(5,911)	-
Total	<u>1,863,516</u>	<u>160,833</u>	<u>(5,911)</u>	<u>2,018,438</u>
Segment results	<u>184,914</u>	<u>106,029</u>	<u>-</u>	<u>290,943</u>
Share of profits or losses of:				
Joint ventures	(6,313)	33,196	-	26,883
Associates	16,891	37,704	-	54,595
Profit before tax				372,421
Income tax expense	(6,037)	(21,437)	-	(27,474)
Profit for the year				<u>344,947</u>

	Insurance 2019 HK\$'000	Corporate 2019 HK\$'000	Eliminations 2019 HK\$'000	Consolidated 2019 HK\$'000
Segment revenue:				
External customers	1,702,009	-	-	1,702,009
Other revenue, income and gains, net	131,360	147,016	-	278,376
Intersegment	5,339	-	(5,339)	-
Total	<u>1,838,708</u>	<u>147,016</u>	<u>(5,339)</u>	<u>1,980,385</u>
Segment results	<u>203,613</u>	<u>83,601</u>	<u>-</u>	<u>287,214</u>
Share of profits or losses of:				
Joint ventures	12,105	34,696	-	46,801
Associates	(7,184)	107,428	-	100,244
Profit before tax				434,259
Income tax expense	(25,796)	(895)	-	(26,691)
Profit for the year				<u>407,568</u>

Notes (continued)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2020			
Segment assets	7,359,635	7,613,428	14,973,063
Interests in joint ventures	409,855	105,589	515,444
Interests in associates	49,607	377,912	427,519
Total assets	7,819,097	8,096,929	15,916,026
Segment liabilities	4,189,996	666,710	4,856,706
31st December, 2019			
Segment assets	7,119,144	6,734,798	13,853,942
Interests in joint ventures	400,305	96,393	496,698
Interests in associates	200,913	306,420	507,333
Total assets	7,720,362	7,137,611	14,857,973
Segment liabilities	4,099,403	435,390	4,534,793

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	2020 HK\$'000	2019 HK\$'000
Interest on a bank loan	304	3,968
Interest on lease liabilities	79	54
	383	4,022

Notes (continued)**5. Profit before Tax**

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

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	(3,757)	(3,675)
Depreciation	(14,022)	(10,406)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	(154,854)	(144,952)
Pension scheme contributions	(6,784)	(6,232)
Less: Forfeited contributions	50	158
Net pension scheme contributions	(6,734)	(6,074)
Total employee benefit expense	<u>(161,588)</u>	<u>(151,026)</u>
Expenses relating short-term leases and leases of low-value assets	(715)	(450)
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	(82,249)	23,182
- redemption/call-back of held-to-collect debt securities at amortised cost	-	(298)
- gain on changes in ownership interest in a joint venture	5,535	-
- gain on deemed disposal of interest in an associate	12,665	-
Total realised gain/(loss) on investments	<u>(64,049)</u>	<u>22,884</u>
Unrealised gain on financial assets at fair value through profit or loss, net	98,856	33,871
Changes in expected credit losses for:		
Insurance receivables	(5,014)	(3,300)
Held-to-collect debt securities at amortised cost	(1,237)	-
Interest income	77,671	102,335
Loss on disposal/write-off of items of property, plant and equipment*	(288)	(71)
Gross rental income*	7,132	7,271
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(366)	(269)
Change in fair value of investment properties*	(28,704)	(2,600)
Employment Support Scheme from the Government*	6,602	-
Write-off of interest in a joint venture	-	(183)
Foreign exchange gain/(loss), net*	1,392	(11,786)

Notes (continued)

5. Profit before Tax (continued)

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

	2020 HK\$'000	2019 HK\$'000
Dividend income from:		
Listed investments	52,364	63,392
Unlisted investments	113,906	55,440
Total dividend income	<u>166,270</u>	<u>118,832</u>

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

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

	2020 HK\$'000	2019 HK\$'000
Current - Hong Kong		
Charge for the year	16,985	19,699
Over provision in prior years	(19,250)	(25)
Current – Elsewhere		
Charge for the year	23,818	6,930
Under provision/(over provision) in prior years	(6)	219
Deferred	<u>5,927</u>	<u>(132)</u>
Total tax charge for the year	<u>27,474</u>	<u>26,691</u>

Notes (continued)

7. Dividends

	2020 HK\$'000	2019 HK\$'000
Interim – HK1.0 cent (2019: HK3.5 cents) per ordinary share	9,493	33,907
Proposed final – HK7.0 cents (2019: HK5.0 cents) per ordinary share	<u>65,970</u>	<u>47,968</u>
	<u>75,463</u>	<u>81,875</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 equity holders of the Company in 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\$337,952,000 (2019: HK\$408,965,000) and the weighted average number of ordinary shares of 954,031,000 (2019: 967,969,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2020 and 2019.

Notes (continued)

9. Insurance Receivables

	2020 HK\$'000	2019 HK\$'000
Amounts due in respect of:		
Direct underwriting	99,795	135,355
Reinsurance accepted	<u>142,181</u>	<u>121,282</u>
	241,976	256,637
Less: Impairment allowance	<u>(10,591)</u>	<u>(5,577)</u>
	<u><u>231,385</u></u>	<u><u>251,060</u></u>

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

	2020 HK\$'000	2019 HK\$'000
Three months or less	195,413	216,283
Six months or less but over three months	37,406	36,285
One year or less but over six months	8,807	3,219
Over one year	<u>350</u>	<u>850</u>
	241,976	256,637
Less: Impairment allowance	<u>(10,591)</u>	<u>(5,577)</u>
	<u><u>231,385</u></u>	<u><u>251,060</u></u>

Notes (continued)

9. Insurance Receivables (continued)

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

	2020	2019
	HK\$'000	HK\$'000
At beginning of year	5,577	2,765
Impairment losses	5,014	3,300
Amount written off as uncollectible	<u>-</u>	<u>(488)</u>
	<u>10,591</u>	<u>5,577</u>

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, 2020

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

As at 31st December, 2019

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.26%	3.41%	12.91%	50.00%	2.17%
Gross carrying amount (HK\$'000)	216,283	17,938	18,347	4,069	256,637
Expected credit losses (HK\$'000)	562	612	2,369	2,034	5,577

Notes (continued)

10. Share Capital

	2020 HK\$'000	2019 HK\$'000
Authorised: 1,500,000,000 (2019: 1,500,000,000) ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid: 946,620,000 (2019: 960,840,000) ordinary shares of HK\$1 each	<u>946,620</u>	<u>960,840</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, 2019	973,180,000	973,180
Shares repurchased and cancelled	<u>(12,340,000)</u>	<u>(12,340)</u>
At 31st December, 2019 and 1st January, 2020	960,840,000	960,840
Shares repurchased and cancelled (Note)	<u>(14,220,000)</u>	<u>(14,220)</u>
At 31st December, 2020	<u>946,620,000</u>	<u>946,620</u>

Note:

At 31st December, 2019, 148,000 shares with cost of HK\$593,000 were classified as treasury shares, and were subsequently cancelled in January 2020. During the year ended 31st December, 2020, a subsidiary of the Company repurchased 14,542,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$2.90 to HK\$4.00 per share at a total consideration of HK\$51,863,000 (including expenses and dividend). Out of which, 14,072,000 repurchased shares were cancelled.

The premium of HK\$36,516,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$14,220,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the consolidated statement of changes in equity in the 2020 annual report.

The remaining 470,000 shares with cost of HK\$1,720,000 were classified as treasury shares at 31st December, 2020 and were subsequently cancelled in January 2021.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 3,726,000 ordinary shares of the Company from the market at prices ranging from HK\$3.80 to HK\$4.10 per share at a total amount of HK\$14,479,000 (including transaction cost). As at the date of this announcement, the number of issued shares of the Company is 942,424,000.

Notes (continued)

11. 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:

	2020 HK\$'000	2019 HK\$'000
Three months or less	107,562	138,495
Six months or less but over three months	17,684	23,820
One year or less but over six months	22,952	16,985
Over one year	<u>21,177</u>	<u>27,799</u>
	<u>169,375</u>	<u>207,099</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Asia Financial Holdings Limited (“Asia Financial”, “The Group” or “The Company”) recorded a net profit attributable to shareholders of HK\$337.9 million in 2020, a 17.4% decrease over 2019. The coronavirus pandemic and its repercussions continued affecting economies worldwide. However encouraging news of new vaccines has buoyed investor confidence and global equities markets have rebounded. In this time of unpredictable economic headwinds, both our investment portfolio and our core businesses showed reassuring resiliency. Due to market volatility, we recorded realised loss but unrealised gain in our investment portfolio. Dividend income increased significantly. Underwriting profits showed a 2% growth over 2019. Overall contributions from our joint ventures and associates were mixed, however our expenses remained under control.

Economic Background

Overall global economic growth fell in 2020, due to the unprecedented COVID-19 pandemic, which triggered the most severe recession in over a century. However, the -3.5% year-end decline in global GDP was less severe than initially predicted. The US unemployment rate, which hit a record high of 14.7% in April, fell by year end to 6.7%. Interest rates worldwide remained low, buoying global equities markets. Hong Kong experienced a difficult economic year; GDP contracted by 6.1% in 2020, and at year-end unemployment was 7%, a 17-year high. China’s economy, meanwhile, rebounded more quickly from the pandemic and it was the only major world economy to register positive GDP growth by 2.3% in 2020.

The US stock market outperformed expectations and finished at record levels in 2020 despite earlier losses and the pandemic impact. S&P 500 index ended the year with a strong gain of 16.3 percent, and the Dow Jones index and Nasdaq index gained 7.2 and 43.6 percent, respectively. China stock market, as well, soared to record levels due to an early and strong pandemic recovery. Market performance elsewhere was mixed. The Hang Seng index yearly results were down by 3.4%, sharply behind the performance of China and US markets, H Shares were in line with the Hang Seng index, losing 3.8%.

Management Approach and Future Prospects

The global and regional economic picture as we enter 2021 remains uncertain and difficult to predict, but there are reasons for cautious optimism in both the near and long term. There is a concerning disconnect between markets and economies -- while big equities markets in the US and China have rebounded, overall global economic growth indicators are weak. Geopolitical risk and US-China relations continue to impact both equities markets and trade. However it is expected that a new US administration will bring with it a more rational and stable business and trade policy. The weak Hong Kong economy will continue to be a challenge through 2021. Finally, the widening gap between rich and poor in global economies, the potential impacts of climate change, and the challenge of sustainable development will be important factors in the long-term business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)

Asia Financial's prospects for 2021 will continue to be influenced by the unpredictable pattern and pace of global economic recovery from the pandemic crisis. Nevertheless, we remain cautiously optimistic about the outlook for our insurance operations. Our core business is solid and mature, and we are fortunate to enjoy customer confidence in the marketplace, due to our Asia Insurance Company, Limited ("Asia Insurance")'s 60+ year history in the insurance business. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

We will be closely monitoring all of these developments, as well as the continuing pandemic crisis and its impact on the global economy, and will maintain a prudent portfolio investment strategy accordingly.

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

At this time of global challenge in our industry and the world, our company's reputation and stability are an advantage in an uncertain and volatile marketplace. The region is undergoing a major transformation involving the rise of large middle classes, gradually aging 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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\$337.9 million	-17.4%
Earnings per share:	HK35.4 cents	-16.1%
Final dividend per share:	HK7.0 cents	+40.0%
Total dividend per share:	HK8.0 cents	-5.9%
Equity attributable to equity holders of the Company:	HK\$11,004.4 million	+7.1%
Total Assets:	HK\$15,916.0 million	+7.1%
Return on equity:	3.2% (4.2% for 2019)	

Earnings and Dividends

For the year ended 31st December, 2020, the Group recorded net profit attributable to shareholders of HK\$337.9 million, representing a 17.4% decrease compared with the previous year. We recorded realised loss but unrealised gain in our investment portfolio. Dividend income increased and underwriting profits showed a 2% growth over 2019. Overall contributions from our joint ventures and associates were mixed.

The Group's earnings per share for the year 2020 were HK35.4 cents. The Board had declared an interim dividend of HK1.0 cent in August 2020 and proposed a final dividend of HK7.0 cents, making a total dividend for the year of HK8.0 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 cash equivalents as at 31st December, 2020 amounted to HK\$2,800,240,000 (2019: HK\$3,366,602,000).

The Group had no bank borrowing as at 31st December, 2020 (2019: The Group had a bank borrowing of HK\$100,000,000 which was secured by certain bank deposits and Hong Kong listed shares, repayable on or before 29th January, 2020 and charged at 1.25% over the 1, 2, 3 or 6-month Hong Kong Interbank Offered Rate per annum. The bank borrowing was fully repaid on 29th January, 2020).

No gearing ratio was calculated as the Group had no net current debt as at 31st December, 2020. The gearing ratio was based on net current debt divided by total capital plus net current debt. Net current debt includes current portion of insurance contract liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on Assets

As at 31st December, 2020, Asia Insurance charged assets with a carrying value of HK\$119,030,000 (2019: HK\$119,516,000) 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, 2020, the Group had no material contingent liabilities.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance achieved net profit attributable to shareholders of HK\$189.6 million in 2020, a 0.6% decrease compared with the same period in 2019.

Despite the pandemic's impact on our clients' businesses, our turnover for 2020 rose by 3%, an extraordinary testimony to our company's reputation for service, its diversified scope of insurance products, and client confidence. We maintained most of our existing business while adding new business as well, particularly in our core small and medium sized enterprises (SMEs) market. There was no exposure to major catastrophes during the period. Underwriting profit showed a 2% growth. 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 Global rating of A. (All the above figures are before elimination of group transactions.)

We recorded realised loss but unrealised gain in our investments, and a lower dividend income from the listed equities investments impacted by the slowing down of business performance from COVID-19.

The small rise in Asia Insurance's costs in 2020 was in line with the company's continuing business growth, higher internal audit fees, and investment in user and backend systems.

The outlook for Asia Insurance's core underwriting activities looks positive for 2021 and beyond in both Hong Kong and Macau. We will continue to utilize our risk management expertise to focus on quality business, and to optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

Asia Insurance continued in 2020 to develop its distribution network through new agents and brokers and on-line digital channels. We are successfully introducing an on-line platform for business partners. We are also actively working on significant enhancements to our product range, and ongoing upgrades to employee skills, systems and distribution capacity in anticipation of future trends in clients' needs and market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Insurance (continued)

Looking ahead, we also anticipate possible opportunities arising from the central government's "Greater Bay Area" plan to further integrate Pearl River Delta regions. Additionally, in the aftermath of COVID-19 people are increasingly aware of the need to protect their health with insurance coverage, a trend that will add traction to our core business and support our market growth.

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

In terms of investment performance, the pandemic and related economic fallout make us cautiously optimistic for 2021. We are expecting that the introduction of vaccines will result in the gradual reopening of borders and resumption of normal business activity, however the pace of recovery is still uncertain. We will maintain a sensible and watchful approach towards portfolio management.

Joint ventures and associates in the insurance segment had mixed performances in 2020. BC Reinsurance Limited recovered early losses and ended the year with a stable profit, due to solid underwriting profit and a fair investment market. Hong Kong Life Insurance Limited experienced a marginal loss with the cost control of marketing expenses implemented. Professional Liability Underwriting Services Limited enjoyed a stable profit while The People's Insurance Company of China (Hong Kong) Limited saw a return to healthy underwriting profit up to October 2020, when it was reclassified as a direct investment.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. The fair value appreciated sharply in 2020. During the year 2020, PICC Life declared a record high dividend to the company. At the time of writing, final results were still awaited. However, the company maintains a healthy position in the Chinese market, with a substantial network of offices. This stake is Asia Financial's single biggest external holding.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Other Portfolio Investment

Trading investments recovered their early 2020 losses and showed positive momentum at year end. We synchronized our portfolio in line with market changes, and will continue to monitor and leverage continuing market fluctuations, and take profit at the appropriate times. Returns from non-traded investments were healthy.

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

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our largest listed equity investment. This year, the stock market valuation weakened due to a suffering Thai economy, which experienced its sharpest downturn in 22 years. The Thai baht, as well, dropped in value although it began to recover in early 2021. Additionally, the company felt the transitional negative effect of coronavirus pandemic restrictions on entry to Thailand (45% of Bumrungrad’s patients are from overseas). As Thailand slowly re-opens its borders to medical tourism, Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services is likely to rebound in the long term.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated very healthy returns in 2020, in spite of the economic situation. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the major providers of Mandatory Provident Fund services in Hong Kong.

The Group’s holding in BBL Asset Management Company Limited of Thailand represent 2.8% of our total assets. It operates as an investment management company and offers asset management, equities, fixed income, investment strategies, financial planning, and advisory services. It saw a stable return in 2020 and has continued to declare dividend for the past several years.

Property Development

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Property Development (continued)

China's property market remains strong, and there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 is being developed in four stages, and in the first half of 2020 we took a healthy profit from 2019 residential sales of Stage One. Despite the COVID-19 pandemic, there was enthusiastic demand for residential sales of Stage Two, which is now 100% sold. We expect to realise these profits in 2021. Stage Three is now complete and 99% has been sold. The property's 450 units will be delivered in the second quarter of 2021 and we anticipate realising these profits in the coming year. Stage Four will be put up for sale in 2021, and because of current demand in the Shanghai market we expect the steady profits from this project to continue apace.

Securities Investments Representing More than 5% of Total Assets

As at 31st December, 2020, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Fair value as at 31st December, 2020 (HK\$'million)	% of total Group assets	Realised/ unrealised gains/(losses), after tax (HK\$'million)	Dividends received, after tax (HK\$'million)
PICC Life	1,288,055	4,320	27.1%	792	66
Bumrungrad	37,214	1,155	7.3%	(164)	19

Both investments are mainly long-term strategic holdings.

Impact of the COVID-19 Pandemic

Effect on our operations, and relative risk and uncertainties

Economic volatility from COVID-19 did not have material effect on our overall 2020 performance. Many of our insurance business customers are SMEs, who were particularly vulnerable during the pandemic. However, this impacted our bottom line to a manageable extent only.

The performance of our investment portfolio in 2020 was also affected by COVID-19 indirectly but not to a significant extent. Based on recent market performance, and anticipating continued low interest rates and a stimulus policy in the US, we expect that COVID-19 will have only minimal impact on our investment portfolio performance in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Impact of the COVID-19 Pandemic (continued)

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 2020, and we anticipate it will continue to do so in the future.

In terms of actual exposure to the COVID-19 pandemic, in 2020 we took robust measures to protect the health and safety of our staff and our clients. We established new health protocols and guidelines, minimised the risk of business disruption by preparing detailed contingency plans, and expanded digital and software capacity to enable us to shift business activity online when necessary.

Compliance with Laws and Regulations

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

Principal Risks and Uncertainties

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance risk, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note of "Financial Risk Management Objectives and Policies" to the consolidated financial statements of the Group in the 2020 annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Stakeholders

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

Employees

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

Customers

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

Shareholders

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

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2020 was 299 (2019: 291). 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.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Friday, 21st May, 2021. Notice of the AGM will be published and despatched to the shareholders on or about Tuesday, 20th April, 2021.

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK7.0 cents (2019: HK5.0 cents) per share which, together with the interim dividend of HK1.0 cent (2019: HK3.5 cents) per share, will make a total dividend of HK8.0 cents (2019: HK8.5 cents) per share for the year ended 31st December, 2020. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Wednesday, 2nd June, 2021 and the dividend warrants will be despatched to shareholders on or about Friday, 11th June, 2021.

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 14th May, 2021
Book close dates (both days inclusive)	17th to 21st May, 2021
Record date	21st May, 2021
AGM	21st May, 2021

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

Ex-dividend date for final dividend	27th May, 2021
Latest time to lodge transfers	4:30 p.m. on 28th May, 2021
Book close dates (both days inclusive)	31st May, 2021 to 2nd June, 2021
Record date for final dividend	2nd June, 2021

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, 2020, a subsidiary of the Company repurchased a total of 14,542,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$51,744,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the year and after the end of the year. Details of the ordinary shares repurchased on the Stock Exchange during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	918,000	4.00	3.84	3,593
February 2020	422,000	3.85	3.83	1,624
March 2020	58,000	2.90	2.90	168
June 2020	2,956,000	3.50	3.35	10,106
July 2020	7,044,000	3.58	3.40	24,810
September 2020	914,000	3.65	3.50	3,290
October 2020	818,000	3.66	3.60	2,973
November 2020	942,000	3.71	3.60	3,463
December 2020	470,000	3.75	3.55	1,717
	<u>14,542,000</u>			<u>51,744</u>

Subsequent to the end of the year and up to the date of this announcement, a total of 3,726,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$14,453,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 3rd February, 2021 and 5th March, 2021 respectively. 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 2021	244,000	3.95	3.80	949
February 2021	<u>3,482,000</u>	4.10	3.80	<u>13,504</u>
	<u>3,726,000</u>			<u>14,453</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

(continued)

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 announcement, the number of issued ordinary shares of the Company is 942,424,000 shares.

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 2019 and 2020 respectively. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31st December, 2020, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF RESULTS

The Audit Committee of the Company has met the auditor of the Company, Ernst & Young, and reviewed and agreed with the auditor the Group's results for the year ended 31st December, 2020.

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 2020 annual report will be despatched to the shareholders and available at the same websites on or about Tuesday, 20th April, 2021.

By Order of the Board
Asia Financial Holdings Limited
CHAN Yau Hing Robin
Chairman

Hong Kong, 26th March, 2021

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. KAWAUCHI Yuji, Mr. OGURA Satoru; and the independent non-executive directors are Ms. CHOW Suk Han Anna, Mrs. LAI KO Wing Yee Rebecca and Mrs. SHUEN LEUNG Lai Sheung Loretta.

** For identification purpose only*