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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)

## 2019 INTERIM RESULTS

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company” or “Asia Financial”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 30th June, 2019 as follows:

### Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June,	
		2019	2018
		HK\$'000	HK\$'000 (Restated) <sup>#</sup>
<b>REVENUE</b>	3	<u>940,421</u>	<u>769,092</u>
Gross premiums		940,421	769,092
Reinsurers' share of gross premiums		(340,137)	(272,348)
Change in unearned premiums reserve		(109,231)	(50,814)
Change in life reserve		<u>(6,472)</u>	<u>(7,123)</u>
Net insurance contracts premiums revenue		484,581	438,807
Gross claims paid		(565,140)	(354,065)
Reinsurers' share of gross claims paid		392,566	169,369
Gross change in outstanding claims		114,816	121,722
Reinsurers' share of gross change in outstanding claims		<u>(166,615)</u>	<u>(111,739)</u>
Net claims incurred		(224,373)	(174,713)
Commission income		69,478	53,310
Commission expense		<u>(219,830)</u>	<u>(185,279)</u>
Net commission expense		(150,352)	(131,969)
Management expenses for underwriting business		<u>(35,307)</u>	<u>(36,157)</u>
Underwriting profit		74,549	95,968

<sup>#</sup> Details of the restatements are set out in note 1.2 to the announcement.

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## Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June,	
		2019 HK\$'000	2018 HK\$'000 (Restated) <sup>#</sup>
Dividend income		79,155	77,248
Realised gain on investments		20,344	995
Unrealised gain/(loss) on investments		65,076	(63,548)
Interest income		48,814	36,758
Other income and gains, net		<u>802</u>	<u>9,038</u>
		<b>288,740</b>	156,459
Operating expenses		(57,365)	(56,734)
Finance costs	4	<u>(2,165)</u>	<u>(1,898)</u>
		<b>229,210</b>	97,827
Share of profits and losses of joint ventures		29,334	21,686
Share of profits and losses of associates		<u>2,753</u>	<u>6,133</u>
<b>PROFIT BEFORE TAX</b>	5	<b>261,297</b>	125,646
Income tax expense	6	<u>(16,178)</u>	<u>(12,372)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>245,119</b></u>	<u>113,274</u>
Attributable to:			
Equity holders of the Company		244,649	110,845
Non-controlling interests		<u>470</u>	<u>2,429</u>
		<u><b>245,119</b></u>	<u>113,274</u>
<b>INTERIM DIVIDEND</b>	7	<u><b>33,907</b></u>	<u>19,509</u>
<b>INTERIM DIVIDEND PER SHARE</b>	7	<u><b>HK3.5 cents</b></u>	<u>HK2.0 cents</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic - For profit for the period		<u><b>HK25.2 cents</b></u>	<u>HK11.3 cents</u>
Diluted - For profit for the period		<u>N/A</u>	<u>N/A</u>

# Details of the restatements are set out in note 1.2 to the announcement.

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2019

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

<sup>#</sup> Details of the restatements are set out in note 1.2 to the announcement.

## Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2019

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

## Notes to the Interim Financial Statements (Unaudited)

### 1.1 Accounting Policies

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

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

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

#### **HKFRS 16**

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

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

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

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

## Notes to the Interim Financial Statements (Unaudited)

### 1.2 Restatements

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

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

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

Impact on condensed consolidated statement of profit or loss:

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

Impact on condensed consolidated statement of comprehensive income:

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

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

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

## Notes to the Interim Financial Statements (Unaudited)

### 2. Operating Segment Information

#### (a) Operating segments

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

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

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

# Details of the restatements are set out in note 1.2 to the announcement.

## Notes to the Interim Financial Statements (Unaudited)

### 2. Operating Segment Information (continued)

#### (a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>30th June, 2019</b>			
Segment assets	7,042,694	5,881,914	12,924,608
Interests in joint ventures	302,465	109,737	412,202
Interests in associates	<u>215,817</u>	<u>207,207</u>	<u>423,024</u>
Total assets	<u>7,560,976</u>	<u>6,198,858</u>	<u>13,759,834</u>
Segment liabilities	<u>3,782,209</u>	<u>374,171</u>	<u>4,156,380</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>31st December, 2018</b>			
Segment assets	6,832,100	5,910,585	12,742,685
Interests in joint ventures	275,020	120,652	395,672
Interests in associates	<u>201,151</u>	<u>207,277</u>	<u>408,428</u>
Total assets	<u>7,308,271</u>	<u>6,238,514</u>	<u>13,546,785</u>
Segment liabilities	<u>3,719,505</u>	<u>399,182</u>	<u>4,118,687</u>

#### (b) Geographical information

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

### 3. Revenue

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

### 4. Finance Costs

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



## Notes to the Interim Financial Statements (Unaudited)

### 5. Profit Before Tax

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

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

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

## Notes to the Interim Financial Statements (Unaudited)

### 6. Income Tax Expense

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

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

### 7. Dividend

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

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

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

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

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

## Notes to the Interim Financial Statements (Unaudited)

### 9. Share Capital

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

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

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

## Management Discussion and Analysis

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

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

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

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

### Economic Background

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

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

### Management Approach and Future Prospects

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

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

## **Management Discussion and Analysis** (continued)

### **Management Approach and Future Prospects** (continued)

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

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

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

### **Business Review**

#### Insurance

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

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

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

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

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

## **Management Discussion and Analysis** (continued)

### **Business Review** (continued)

#### Insurance (continued)

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

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

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

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

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

#### Other Portfolio Investment

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

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

## **Management Discussion and Analysis** (continued)

### **Business Review** (continued)

#### Health Care and Wellness

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

#### Pension and Asset Management

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

#### Property Development

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

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

### **Liquidity, Financial Resources and Gearing Ratio**

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

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

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

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

## **Management Discussion and Analysis (continued)**

### **Charge on Assets**

As at 30th June, 2019, Asia Insurance charged assets with a carrying value of HK\$119,584,000 (31st December, 2018: HK\$118,863,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with fair value of not less than HK\$150,000,000 (31st December, 2018: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2018: HK\$150,000,000).

### **Contingent Liabilities**

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

### **Employees and Remuneration Policy**

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

The remuneration policy of the Group is formulated and recommended by the Remuneration Committee of the Company for the Board's approval. The Remuneration Committee's responsibilities include reviewing and approving the management's remuneration proposals, and making recommendations to the Board on the adjustments to remuneration packages payable to directors, senior management and employees of the Group.



## Purchase, Sale or Redemption of the Company's Shares

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

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

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

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

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

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

## **Purchase, Sale or Redemption of the Company's Shares (continued)**

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

## **Corporate Governance Code**

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

## **Review of Interim Financial Statements**

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

## **Interim Dividend**

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

## **Closure of Register of Members**

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

## **Publication of 2019 Interim Results and Interim Report**

This results announcement is published on the Company's website at [www.afh.hk](http://www.afh.hk) and the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2019 Interim Report will be despatched to the shareholders and available on the same websites on or about Thursday, 12th September, 2019.

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

Hong Kong, 21st August, 2019

*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. IDE Kentaro; 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*