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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)

2010 INTERIM RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2010

	Notes	**(Unaudited) Six months ended 30th June, 2010 HK$'000**	2009 HK$'000
REVENUE	3	**494,376**	379,692
Gross premiums		**494,376**	379,692
Reinsurers' share of gross premiums		**(165,082)**	(116,537)
Change in unearned premiums reserve		**(36,288)**	19,237
Change in life fund		**(1,349)**	(649)
Net insurance contracts premiums revenue		**291,657**	281,743
Gross claims paid		**(169,442)**	(201,301)
Reinsurers' share of gross claims paid		**58,201**	51,570
Gross change in outstanding claims		**(25,306)**	21,229
Reinsurers' share of gross change in outstanding claims		**(9,167)**	(25,519)
Net claims incurred		**(145,714)**	(154,021)
Commission income		**28,068**	17,630
Commission expense		**(99,152)**	(82,932)
Net commission expense		**(71,084)**	(65,302)

……continued

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30th June, 2010

	Notes	(Unaudited) Six months ended 30th June, 2010 HK$'000	2009 HK$'000
Management expenses for underwriting business		**(22,146)**	(18,522)
Underwriting profit		**52,713**	43,898
Dividend income		**27,822**	18,451
Realised gain/(loss) on investments		**(5,407)**	28,998
Unrealised gain/(loss) on investments		**(48,192)**	55,928
Interest income		**27,691**	31,170
Other income and gains, net		**5,565**	1,863
		60,192	180,308
Operating expenses		**(39,095)**	(37,635)
		21,097	142,673
Share of profits and losses of jointly-controlled entities		**8,527**	10,726
Share of profits and losses of associates		**3,673**	8,676
PROFIT BEFORE TAX	4	**33,297**	162,075
Income tax expense	5	**(6,438)**	(18,774)
PROFIT FOR THE PERIOD		**26,859**	143,301
Attributable to:			
Equity holders of the Company		**25,049**	140,959
Non-controlling interests		**1,810**	2,342
		26,859	143,301
INTERIM DIVIDEND	6	**12,230**	35,672
INTERIM DIVIDEND PER SHARE	6	**HK1.2 cents**	HK3.5 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic - For profit for the period		**HK2.5 cents**	HK13.8 cents
Diluted - For profit for the period		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	(Unaudited) Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**26,859**	143,301
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale securities	**73,749**	201,443
Share of other comprehensive income of jointly-controlled entities:		
Changes in available-for-sale investment reserves	**125**	4,569
Changes in exchange reserve	**(90)**	2,103
	35	6,672
Share of other comprehensive income of associates:		
Changes in available-for-sale investment reserves	**(3,866)**	12
Changes in exchange reserve	**2,122**	-
	(1,744)	12
Exchange differences on translation of foreign operations	**(886)**	(40)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**71,154**	208,087
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**98,013**	351,388
ATTRIBUTABLE TO:		
Equity holders of the Company	**97,371**	349,046
Non-controlling interests	**642**	2,342
	98,013	351,388

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30th June, 2010

	(Unaudited) 30th June, 2010 HK$'000	(Audited) 31st December, 2009 HK$'000
ASSETS		
Property, plant and equipment	**172,764**	178,053
Investment property	**3,020**	3,020
Interests in jointly-controlled entities	**316,956**	310,073
Loans to jointly-controlled entities	**51,647**	53,790
Interests in associates	**111,741**	111,837
Due from an associate	**164,763**	145,542
Deferred tax assets	**17,570**	22,320
Held-to-maturity securities	**860,270**	775,330
Available-for-sale securities	**1,316,562**	1,242,431
Pledged deposits	**80,941**	71,232
Loans and advances and other assets	**204,637**	231,039
Securities measured at fair value through profit or loss	**1,382,255**	1,135,435
Insurance receivables	**152,973**	117,020
Reinsurance assets	**355,839**	333,381
Cash and cash equivalents	**1,556,334**	1,876,031
Total assets	**6,748,272**	6,606,534
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Issued capital	**1,019,200**	1,019,200
Reserves	**4,081,769**	3,996,628
Proposed dividend	**12,230**	66,248
	5,113,199	5,082,076
Non-controlling interests	**18,578**	17,936
Total equity	**5,131,777**	5,100,012
Liabilities		
Insurance contract liabilities	**1,300,647**	1,203,843
Insurance payables	**155,033**	147,972
Due to associates	**5,636**	5,898
Other liabilities	**113,255**	108,094
Tax payable	**41,912**	40,653
Deferred tax liabilities	**12**	62
Total liabilities	**1,616,495**	1,506,522
Total equity and liabilities	**6,748,272**	6,606,534

NOTES

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, 2009 except for the adoption of the new Hong Kong Accounting Standard (“HKAS”), which is effective for periods beginning on 1st January, 2010 and as disclosed below.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments are made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

Adoption of this new HKAS did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

NOTES (continued)

2. OPERATING SEGMENT INFORMATION

(a) Operating segments

The following tables present revenue and results for the Group's operating segments.

Group	**Insurance HK$'000**	**Corporate HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
For the six months ended 30th June, 2010				
Segment revenue:				
External customers	**494,376**	**-**	**-**	**494,376**
Other revenue, income, gains/(losses), net	**18,850**	**(11,371)**	**-**	**7,479**
Intersegment	**776**	**-**	**(776)**	**-**
Total	**514,002**	**(11,371)**	**(776)**	**501,855**
Segment results	**52,719**	**(31,622)**	**-**	**21,097**
Share of profits and losses of:				
Jointly-controlled entities	**(589)**	**9,116**	**-**	**8,527**
Associates	**7,151**	**(3,478)**	**-**	**3,673**
Profit before tax				**33,297**
Income tax expense	**(6,242)**	**(196)**	**-**	**(6,438)**
Profit for the period				**26,859**

Group	Insurance HK$'000	Corporate HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2009				
Segment revenue:				
External customers	379,692	-	-	379,692
Other revenue, income, gains/(losses), net	87,895	48,515	-	136,410
Intersegment	-	-	-	-
Total	467,587	48,515	-	516,102
Segment results	113,856	28,817	-	142,673
Share of profits and losses of:				
Jointly-controlled entities	5,068	5,658	-	10,726
Associates	8,824	(148)	-	8,676
Profit before tax				162,075
Income tax expense	(15,354)	(3,420)	-	(18,774)
Profit for the period				143,301

NOTES (continued)

2. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

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

3. REVENUE

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

4. PROFIT BEFORE TAX

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

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
Auditors' remuneration	**(1,063)**	(1,190)
Depreciation	**(6,492)**	(7,622)
Employee benefits expense (including directors' remuneration)	**(37,690)**	(35,936)
Minimum lease payments under operating leases in respect of land and buildings	**(357)**	(800)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss, net	**(5,290)**	29,219
- disposal of available-for-sale securities	**42**	21
- redemption/call back of held-to-maturity securities	**(159)**	(242)
	(5,407)	28,998
Unrealised gain/(loss) on securities measured at fair value through profit or loss, net*	**(48,192)**	57,435
Impairment losses of available-for-sale securities*	**-**	(1,507)
Gain/(loss) on disposal/write-off of items of property, plant and equipment	**87**	(246)
Impairment allowances on insurance receivables	**(101)**	-
Dividend income from:		
Listed investments	**24,157**	16,358
Unlisted investments	**3,665**	2,093
Interest income	**27,691**	31,170

* Unrealised gain/(loss) on securities measured at fair value through profit or loss, net and impairment losses of available-for-sale securities are included in "Unrealised gain/(loss) on investments" on the face of the condensed consolidated income statement.

NOTES (continued)

5. INCOME TAX EXPENSE

Hong Kong profits tax for the Group has been provided at the rate of 16.5% (2009: 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,	
	2010	2009
	HK$'000	HK$'000
Group:		
Current - Hong Kong		
Charge for the period	**251**	335
Overprovision in prior periods	**(361)**	(313)
Current - Elsewhere	**1,798**	2,043
Deferred	**4,750**	16,709
Total tax charge for the period	**6,438**	18,774

6. DIVIDEND

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
Proposed interim dividend:		
HK1.2 cents (2009: HK3.5 cents) per ordinary share based on 1,019,200,000 (2009: 1,019,200,000) shares in issue	**12,230**	35,672

The Board has resolved to pay an interim dividend of HK1.2 cents per share (2009: HK3.5 cents), which will be paid in cash, for the six months ended 30th June, 2010 payable on 7th October, 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 22nd September, 2010.

7. 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$25,049,000 (2009: HK$140,959,000) and the ordinary shares of 1,019,200,000 (2009: weighted average number of 1,022,989,533) in issue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Net profit attributable to equity holders of the Company:	HK$25.0m	-82.2%
Earnings per share:	HK2.5 cents	-81.9%
Interim dividend per share:	HK1.2 cents	-65.7%

Asia Financial Holdings Limited ("Asia Financial") achieved net profit of HK$25.0 million in the first half of 2010, representing an 82.2% decrease from the same period in 2009. This fall was largely due to unrealised declines in the year-on-year market values of the company's trading portfolio investments. This reflects the extraordinary strength of the market rebound in the first half of 2009 as much as the relative weakness during the same period in 2010. Our prudent investment philosophy ensured that the focus remained on high quality investments. Business operations remained profitable, and our subsidiary Asia Insurance Company, Limited ("Asia Insurance") showed a healthy increase in underwriting profit.

The near-term outlook remains clouded by signs of continued weakness in the recoveries in developed economies and concerns about possible structural changes in the Chinese economy. We will continue to be cautious where our medium-term portfolio investments are concerned. We remain confident in and ultimately focused on the prospects for the insurance, healthcare and other individual and family services sectors in Asia that are represented by our longer-term direct investments.

Economic Background

The first half of 2010 saw signs of gradual recovery in much of the global economy, following the extreme volatility of the previous two years. Among signs that the global financial crisis is still in progress were considerable fears of a government debt crisis in Europe, persistent unemployment in the US and continuing disagreement about the need for further stimulus and the pace of deficit reduction in these economies. The picture was brighter in Asia, where many leading economies enjoyed strong growth. China's economy grew 11% in the year to mid-2010, while Hong Kong reported an 8% growth rate in the first quarter – a resounding bounce back from the 2.9% decline in 2009.

Much of this improvement in the global economy was anticipated in the markets during 2009. After a 27.7% gain in the first half of 2009 (and a 52% rise for the full year), Hong Kong's Hang Seng Index fell by 8% in the first six months of this year. The Dow Jones followed a similar, though less pronounced course. This pattern inevitably affected the market value of Asia Financial's equity portfolio investments. Meanwhile, low interest rates dampened our interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments

Insurance

Wholly owned Asia Insurance's underwriting profit increased 20.0% in first half of 2010, while turnover rose 30.2%. This satisfactory result reflects management's ongoing efforts to concentrate on more profitable market segments and take advantage of changing opportunities in the market. Asia Insurance benefited from rising demand – for example, for employees' compensation coverage for new infrastructure and other construction projects in Hong Kong and Macau. Property, liability and our growing reinsurance-related business all performed well. We were also helped by the fact that the impact of earlier major events, such as the 2008 earthquakes, had run its course by the period.

The continuing strength of Asia Insurance's operating results is a reflection of the company's status as a leader in Hong Kong's general insurance market with a sound reputation among clients. Asia Insurance foresees possible new opportunities arising from the Hong Kong government's intention of encouraging a bigger role for personal health insurance coverage in the community. With this new potential market in mind, Asia Insurance is launching a new 'Care Forever' product aimed essentially at middle- and upper-class individuals and families.

As with Asia Financial as a whole, the relative performances in equities markets in the first halves of 2009 and 2010 mean that Asia Insurance experienced unrealised declines in the year-on-year market values of its portfolio investments. This was to some extent ameliorated by Asia Insurance's heavier weighting towards bonds, though its improved interest income from this source was counterbalanced by a decline in bank and other interest following a re-weighting into fixed-income assets. Asia Insurance has no direct exposure to vulnerable European sovereign debt and related investments.

Asia Insurance continues to keep costs under control, despite growth in turnover and the recruitment of extra staff in response to new opportunities.

Recovery in Hong Kong and continued strong growth in the mainland augur well for Asia Insurance's core underwriting activities for the rest of the year; the main potential dangers are deterioration of weak major economies overseas or an unexpected slowdown in the Mainland. As with Asia Financial as a whole, the prospects for portfolio investments remain uncertain, and management will maintain a particularly prudent approach.

Associates and joint venture companies in the insurance segment generally performed reasonably well, with the exception of BC Reinsurance Ltd., which was affected by the relative shift in equities market trends between the first halves of 2009 and 2010. Hong Kong Life Insurance Limited, with a portfolio heavily weighted towards bonds, saw a rise in profit. Professional Liability Underwriting Services Ltd. remained profitable in an increasingly competitive climate. The People's Insurance Company of China (Hong Kong) Ltd. achieved creditable operating and investment results.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Insurance (continued)

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 RMB27 billion in premium income for the first quarter of 2010, up 138% on the 4th quarter of 2009. 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

Asia Financial's other portfolio investment income fell on a year-on-year basis by 150%. Net interest income's 11.2% decline for Asia Financial in the period reflects low interest rates and a lower level of idle funds. Losses on trading investments (along with the corresponding decline in Asia Insurance's investment income) account for much of the reduction in Asia Financial's net profit in the first half of 2010. As mentioned above, these largely unrealised declines reflect the strong recovery in valuations in the first half of 2009 in Hong Kong and New York as much as the relative weakness during the same period in 2010. Regardless of these year-on-year changes in market conditions, our management of the portfolio remains prudent, in line with our practice ever since the outbreak of the global financial crisis more than two years ago.

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 and derivative instruments are of investment grade or above.

Although world markets seem to have recovered from the extreme volatility of 2008-2009, they were hardly stable during the first half of 2010, and we must assume that further swings, especially on the downside, are distinctly possible. Corporate earnings in major markets may have recovered, but the fundamental macro situation is still far from clear. Economists and policymakers are uncertain about the extent to which major economies need continued government stimulation in the face of high deficits. Even in China, with its continued strong economic performance, there are concerns about the need to move from investment- to consumption-driven growth. We will therefore adhere to our traditional careful investment principles and maintain exposure to high-quality holdings to defend shareholders' wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Health Care

Asia Financial's share of profits from its 19.5% stake in Bumrungrad International Limited showed a healthy increase during the first half of 2010, and the underlying trend for the company is positive. We continue to foresee very healthy prospects for the business in Asia and the Middle East, owing to long-term demographic and policy trends, and the company will continue to consider suitable opportunities for expansion. We have expressed an interest to the Hong Kong government in bidding for a hospital site at Wong Chuk Hang on the south of Hong Kong Island.

Pension and Asset Management

The Group's holding in jointly-controlled company Bank Consortium Holding Limited ("BCH") enjoyed acceptable profit growth in the first half of 2010 owing largely to rising fee income. 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. The market may become more competitive when employees are given the right to transfer their personal contributions to other service providers starting early in 2011; however, we are confident that BCT's commitment to quality client service will give it an edge in retaining and indeed attracting funds.

Property Development

The Group's interests in real estate are focused on Shanghai and Suzhou and represent 4.8% of our total assets. The main project is a residential and commercial complex in Jiading area in Shanghai, in which we have a 27.5% stake. Phase 1 of the project is enjoying strong sales, with over 95% of units sold. As of mid-2010, only expenses had been booked, but the project will show profit in the second half when properties are delivered to buyers. For phase 2, main construction has been started and pre-sale is expected in October this year. This is a good quality project in a convenient location for middle-class residents, and we are confident of solid demand among end-users. In addition, a piece of new land in an adjacent area was acquired early this year. The master plan and designs for a residential complex with a saleable area of 40,000 square meters is under preparation.

Management Approach and Future Prospects

Asia Financial's management maintains a conservative investment approach, as well as sensible policies in such areas as cost control, in the pursuit of long-term growth in shareholder value. We seek good quality investments and avoid unnecessary risk. The underlying quality of our trading portfolios and long-term direct investments at the end of the first half of 2010, following two years of serious market volatility that may not yet be over, confirm the value of this approach.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)

The Company has in recent years increasingly focused its sights on acquiring holdings in specific business and geographic sectors with solid but very attractive development prospects. Accumulating and developing such holdings is the strategic priority. It takes precedence over concern about year-on-year fluctuations in the nominal value of the portfolio investments. We are currently witnessing signs of a number of structural shifts in the global economy, including the rise of China and other parts of Asia as major potential consuming economies. As an investment company with a focus on insurance, health care and other individual and family services in the region, we continue to see major strategic opportunities for Asia Financial.

Contingent Liabilities

As at 30th June, 2010, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2010 was 254 (31st December, 2009: 247). 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 benefits schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2010 The Group also offers various training and induction programmes to its employees.

DIVIDEND

The Board has resolved to declare an interim cash dividend of HK1.2 cents per ordinary share (2009: HK3.5 cents) for the six months ended 30th June, 2010 payable on or about Thursday, 7th October, 2010 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 22nd September, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20th September, 2010 to Wednesday, 22nd September, 2010, 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 Friday, 17th September, 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th June, 2010, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June, 2010.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2010.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2010 Interim Report will be despatched to the shareholders and available on the same websites on or about Tuesday, 14th September, 2010.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Robin Yau Hing Chan (Chairman), Mr. Bernard Charnwut Chan (President), Mr. Stephen Tan, Mr. Wong Kok Ho; the non-executive directors are Mr. Lau Ki Chit, Mr. Choedchu Sophonpanich, Mr. Ng Song Hin, Dr. The Hon. Philip Yu Hong Wong, Mr. Kenneth Chi Lam Siao, Mr. Mamoru Miyazaki, Ms. Chan Yeow Toh; and the independent non-executive directors are Ms. Anna Suk Han Chow, Mr. Andrew Chiu Cheung Ma and Dr. Ko Wing Man.

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

Hong Kong, 26th August, 2010

* *For identification purpose only*