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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)**

# 2018 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, 2018 as follows:

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

For the six months ended 30th June, 2018

| | Notes | **Six months ended 30th June, 2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| **REVENUE** | 3 | **769,092** | 689,168 |
| Gross premiums | | **769,092** | 689,168 |
| Reinsurers' share of gross premiums | | **(272,348)** | (218,942) |
| Change in unearned premiums reserve | | **(50,814)** | (24,440) |
| Change in life reserve | | **(7,123)** | (17,091) |
| Net insurance contracts premiums revenue | | **438,807** | 428,695 |
| Gross claims paid | | **(354,065)** | (245,678) |
| Reinsurers' share of gross claims paid | | **169,369** | 83,764 |
| Gross change in outstanding claims | | **121,722** | (22,264) |
| Reinsurers' share of gross change in outstanding claims | | **(111,739)** | 3,033 |
| Net claims incurred | | **(174,713)** | (181,145) |
| Commission income | | **53,310** | 40,775 |
| Commission expense | | **(185,279)** | (159,405) |
| Net commission expense | | **(131,969)** | (118,630) |
| Management expenses for underwriting business | | **(36,157)** | (33,146) |
| Underwriting profit | | **95,968** | 95,774 |

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

For the six months ended 30th June, 2018

| | Notes | Six months ended 30th June, 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Dividend income | | **77,248** | 63,513 |
| Realised gain on investments | | **995** | 27,629 |
| Unrealised gain/(loss) on investments | | **(63,548)** | 79,747 |
| Interest income | | **36,758** | 31,853 |
| Other income and gains, net | | **9,038** | 17,175 |
| | | **156,459** | 315,691 |
| Operating expenses | | **(56,734)** | (63,879) |
| Finance costs | 4 | **(1,898)** | (1,598) |
| | | **97,827** | 250,214 |
| Share of profits and losses of joint ventures | | **15,469** | 29,033 |
| Share of profits and losses of associates | | **6,133** | 12,743 |
| **PROFIT BEFORE TAX** | 5 | **119,429** | 291,990 |
| Income tax expense | 6 | **(12,372)** | (23,821) |
| **PROFIT FOR THE PERIOD** | | **107,057** | 268,169 |
| Attributable to: | | | |
| Equity holders of the Company | | **104,628** | 265,898 |
| Non-controlling interests | | **2,429** | 2,271 |
| | | **107,057** | 268,169 |
| **INTERIM DIVIDEND** | 7 | **19,509** | 39,139 |
| **INTERIM DIVIDEND PER SHARE** | 7 | **HK2.0 cents** | HK4.0 cents |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 8 | | |
| Basic - For profit for the period | | **HK10.7 cents** | HK27.2 cents |
| Diluted - For profit for the period | | **N/A** | N/A |

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

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2018

| | Six months ended 30th June, 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **PROFIT FOR THE PERIOD** | **107,057** | 268,169 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE)** | | |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale securities: | | |
| Changes in fair value | **-** | 216,588 |
| Share of other comprehensive income/(expense) of joint ventures | **(749)** | 5,068 |
| Share of other comprehensive income/(expense) of associates | **(13,196)** | 16,849 |
| Exchange differences on translation of foreign operations | **480** | 98 |
| Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods | **(13,465)** | 238,603 |
| 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 | **(972,079)** | - |
| Income tax effect | **73,464** | - |
| Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods | **(898,615)** | - |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX** | **(912,080)** | 238,603 |
| **TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD** | **(805,023)** | 506,772 |
| **ATTRIBUTABLE TO:** | | |
| Equity holders of the Company | **(805,081)** | 503,332 |
| Non-controlling interests | **58** | 3,440 |
| | **(805,023)** | 506,772 |

## Condensed Consolidated Statement of Financial Position **(Unaudited)**

30th June, 2018

| | Note | **30th June, 2018 HK$'000** | 31st December, 2017 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | | **181,202** | 176,450 |
| Investment properties | | **280,200** | 280,200 |
| Interests in joint ventures | | **214,928** | 208,734 |
| Loans to joint ventures | | **74,538** | 54,000 |
| Interests in associates | | **427,904** | 436,700 |
| Due from an associate | | **256,140** | 256,140 |
| Held-to-maturity securities | | **-** | 725,558 |
| Held-to-collect debt securities at amortised cost | | **679,323** | - |
| Available-for-sale securities | | **-** | 3,616,130 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | **4,983,639** | - |
| Pledged deposits | | **260,857** | 206,488 |
| Loans and advances and other assets | | **147,308** | 117,335 |
| Securities measured at fair value through profit or loss | | **1,794,480** | 1,736,186 |
| Insurance receivables | | **282,802** | 225,162 |
| Reinsurance assets | | **1,095,357** | 1,211,355 |
| Cash and cash equivalents | | **2,484,892** | 2,627,224 |
| | | **13,163,570** | 11,877,662 |
| Assets of a disposal group classified as held for sale | | **105,084** | 105,084 |
| Total assets | | **13,268,654** | 11,982,746 |

……continued

## Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2018

| | Note | **30th June, 2018 HK$'000** | 31st December, 2017 HK$'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 9 | **975,448** | 978,478 |
| Reserves | | **8,187,964** | 6,920,986 |
| Proposed dividend | | **19,509** | 73,386 |
| | | **9,182,921** | 7,972,850 |
| Reserve of a disposal group classified as held for sale | | **3,595** | 3,595 |
| | | **9,186,516** | 7,976,445 |
| Non-controlling interests | | **45,747** | 45,689 |
| Total equity | | **9,232,263** | 8,022,134 |
| Liabilities | | | |
| Insurance contracts liabilities | | **3,141,414** | 3,187,781 |
| Insurance payables | | **159,992** | 181,949 |
| Due to a joint venture | | **25,135** | 28,099 |
| Due to associates | | **4,222** | 4,222 |
| Other liabilities | | **325,417** | 348,521 |
| Interest-bearing bank borrowing | | **150,000** | 150,000 |
| Tax payable | | **52,158** | 46,414 |
| Deferred tax liabilities | | **178,053** | 13,626 |
| Total liabilities | | **4,036,391** | 3,960,612 |
| Total equity and liabilities | | **13,268,654** | 11,982,746 |

# Notes to the Interim Financial Statements (Unaudited)

## 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, 2017 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, 2018 and as disclosed below.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* |
| HKFRS 9 | *Financial Instruments* |
| HKFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers* |
| Amendments to HKAS 40 | *Transfers of Investment Property* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28 |

Except for HKFRS 9, 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.

The Group has adopted HKFRS 9 on 1st January, 2018. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies. As permitted by the transition provisions of HKFRS 9, the Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in equity as of 1st January, 2018.

**HKFRS 9 "Financial Instruments"**

<u>Classification and measurement of financial assets</u>

HKFRS 9 "Financial Instruments" introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

# Notes to the Interim Financial Statements (Unaudited)

## 1. Accounting Policies (continued)

**HKFRS 9 "Financial Instruments"** (continued)
Classification and measurement of financial assets (continued)

Prior to 1st January, 2018, the Group's investments in securities were classified as "available-for-sale securities", "held-to-maturity securities" and "securities at fair value through profit or loss". From 1st January, 2018 onwards, the equity securities and debt securities previously classified as "available-for-sale securities" are classified as "financial assets at fair value through other comprehensive income ("FVOCI")" and "held-to-collect debt securities at amortised cost", respectively; "held-to-maturity securities" are classified as "held-to-collect debt securities at amortised cost", while all other financial assets and financial liabilities continue to be measured on the same basis as measured under HKAS 39.

The following table illustrates the main effects from reclassification and change in measurement of the Group's financial assets at the date of initial application, 1st January, 2018.

| | Original carrying amount under HKAS 39 31st December, 2017 HK$'000 | HKAS 39 measurement category | HKFRS 9 reclassification HK'000 | HKFRS 9 remeasurement HK'000 | New carrying amount under HKFRS 9 1st January, 2018 HK'000 | HKFRS 9 measurement category |
|---|---|---|---|---|---|---|
| Held-to-maturity securities | 725,558 | Held-to-maturity | (725,558) | - | - | N/A |
| Held-to-collect debt securities at amortised cost | - | N/A | 727,415 | - | 727,415 | Amortised cost |
| Available-for-sale securities | 3,616,130 | Available-for-sale | (3,616,130) | - | - | N/A |
| Financial assets at FVOCI | - | N/A | 3,614,273 | 2,341,445 | 5,955,718 | FVOCI |

Except for the above, the measurement categories and carrying amounts of the Group's financial assets and financial liabilities remain the same.

The impact of these changes on the Group's equities and liabilities are as follows:

| | FVOCI/ available-for-sale investment reserve HK$'000 | Deferred tax liabilities HK$'000 |
|---|---|---|
| Opening balance at 31st December, 2017 under HKAS 39 | 1,575,124 | 13,626 |
| Reclassify non-trading equities from available-for-sale securities to financial assets at FVOCI | 2,103,554 | 237,891 |
| Opening balance at 1st January, 2018 under HKFRS 9 | 3,678,678 | 251,517 |

# Notes to the Interim Financial Statements (Unaudited)

## 1. Accounting Policies (continued)

**HKFRS 9 "Financial Instruments"** (continued)
Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" model. The expected credit loss model requires an ongoing assessment of credit risk associated with a financial asset and therefore recognise expected credit loss earlier than under the incurred loss accounting model in HKAS 39. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

# Notes to the Interim Financial Statements (Unaudited)

## 2. Operating Segment Information

### (a) Operating segments

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

| | **Insurance HK$'000** | **Corporate HK$'000** | **Eliminations HK$'000** | **Consolidated HK$'000** |
|---|---|---|---|---|
| **For the six months ended 30th June, 2018** | | | | |
| **Segment revenue:** | | | | |
| **External customers** | **769,092** | **-** | **-** | **769,092** |
| **Other revenue, income and gains, net** | **26,676** | **33,815** | **-** | **60,491** |
| **Intersegment** | **478** | **-** | **(478)** | **-** |
| **Total** | **796,246** | **33,815** | **(478)** | **829,583** |
| **Segment results** | **90,897** | **6,930** | **-** | **97,827** |
| **Share of profits and losses of:** | | | | |
| **Joint ventures** | **1,034** | **14,435** | **-** | **15,469** |
| **Associates** | **8,411** | **(2,278)** | **-** | **6,133** |
| **Profit before tax** | | | | **119,429** |
| **Income tax expense** | **(11,693)** | **(679)** | **-** | **(12,372)** |
| **Profit for the period** | | | | **107,057** |

| | Insurance HK$'000 | Corporate HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| For the six months ended 30th June, 2017 | | | | |
| Segment revenue: | | | | |
| External customers | 689,168 | - | - | 689,168 |
| Other revenue, income and gains, net | 125,810 | 94,107 | - | 219,917 |
| Intersegment | 5,205 | - | (5,205) | - |
| Total | 820,183 | 94,107 | (5,205) | 909,085 |
| Segment results | 191,981 | 58,233 | - | 250,214 |
| Share of profits and losses of: | | | | |
| Joint ventures | 17,733 | 11,300 | - | 29,033 |
| Associates | 7,734 | 5,009 | - | 12,743 |
| Profit before tax | | | | 291,990 |
| Income tax expense | (23,543) | (278) | - | (23,821) |
| Profit for the period | | | | 268,169 |

# 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** |
|---|---|---|---|
| **30th June, 2018** | | | |
| **Segment assets** | **6,676,819** | **5,843,919** | **12,520,738** |
| **Interests in joint ventures** | **88,488** | **126,440** | **214,928** |
| **Interests in associates** | **200,708** | **227,196** | **427,904** |
| **Assets of a disposal group classified as held for sale** | **105,084** | **-** | **105,084** |
| **Total assets** | **7,071,099** | **6,197,555** | **13,268,654** |
| **Segment liabilities** | **3,630,613** | **405,778** | **4,036,391** |

| | Insurance HK$'000 | Corporate HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| 31st December, 2017 | | | |
| Segment assets | 6,738,621 | 4,493,607 | 11,232,228 |
| Interests in joint ventures | 93,124 | 115,610 | 208,734 |
| Interests in associates | 201,792 | 234,908 | 436,700 |
| Assets of a disposal group classified as held for sale | 105,084 | - | 105,084 |
| Total assets | 7,138,621 | 4,844,125 | 11,982,746 |
| Segment liabilities | 3,715,391 | 245,221 | 3,960,612 |

### (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

| | **Six months ended 30th June,** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Interest on a bank loan | **1,898** | 1,598 |

## 5. Profit Before Tax

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

| | Six months ended 30th June, | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Auditor's remuneration | **(1,648)** | (1,876) |
| Depreciation | **(3,823)** | (7,121) |
| Employee benefits expense (including directors' remuneration) | **(64,350)** | (64,697) |
| Minimum lease payments under operating leases | **(700)** | (741) |
| Realised gain/(loss) on: | | |
| - disposal of securities measured at fair value through profit or loss (held for trading), net | **324** | 27,698 |
| - disposal of available-for-sale securities | **-** | 57 |
| - redemption/call back of held-to-collect debt securities at amortised cost | **358** | - |
| - redemption/call back of held-to-maturity securities | **-** | (126) |
| - disposal of interest in an associate | **313** | - |
| Total realised gain on investments | **995** | 27,629 |
| Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net | **(63,548)** | 79,747 |
| Interest income | **36,758** | 31,853 |
| Gain on disposal/write-off of items of property, plant and equipment | **221** | 226 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | **(741)** | - |
| Foreign exchange gain, net# | **4,240** | 11,225 |
| Dividend income from: | | |
| Listed investments | **49,244** | 41,866 |
| Unlisted investments | **28,004** | 21,647 |
| Total dividend income | **77,248** | 63,513 |

\# 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% (2017: 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,** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Current – Hong Kong | | |
| Charge for the period | **6,452** | 19,589 |
| Under provision in prior period | **335** | - |
| Current – Elsewhere | | |
| Charge for the period | **5,585** | 4,232 |
| Total tax charge for the period | **12,372** | 23,821 |

## 7. Dividend

| | **Six months ended 30th June,** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Proposed interim dividend: | | |
| HK2.0 cents (2017: HK4.0 cents) per ordinary share | **19,509** | 39,139 |

The Board has resolved to pay an interim dividend of HK2.0 cents per share (2017: HK4.0 cents), which will be paid in cash, for the six months ended 30th June, 2018 payable on or about 2nd October, 2018 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 20th September, 2018.

## 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$104,628,000 (2017: HK$265,898,000) and the weighted average number of ordinary shares of 977,550,000 (2017: 978,478,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. Share Capital

| | **30th June, 2018 HK$'000** | 31st December, 2017 HK$'000 |
|---|---|---|
| Authorised: | | |
| 1,500,000,000 ordinary shares of HK$1 each | **1,500,000** | 1,500,000 |
| Issued and fully paid: | | |
| 975,448,000 (2017: 978,478,000) ordinary shares of HK$1 each | **975,448** | 978,478 |

During the period ended 30th June, 2018, a subsidiary of the Company repurchased and cancelled 3,030,000 ordinary shares of the Company of HK$1 each on The Stock Exchange of Hong Kong Limited at prices ranging from HK$4.70 to HK$5.50 per share at a total consideration of HK$15,138,000 (including expenses and dividend).

The premium of HK$12,108,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK$3,030,000 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$104.6 million | -60.7% |
| Earnings per share: | HK10.7 cents | -60.7% |
| Interim dividend per share: | HK2.0 cents | -50.0% |

Asia Financial Holdings Limited ("Asia Financial") recorded net profit attributable to shareholders of HK$104.6 million in the first half of 2018, a 60.7% fall over the same period in 2017. This largely reflected realised and unrealised declines in the value of portfolio investments during a period of market weakness. Underwriting profits remained at a steady and healthy level despite a very competitive market. Overall contributions from our joint ventures and associates fell over the same period last year. Our expenses remained under control and in line with inflation.

Asia Financial's prospects for the second half of the year depend on the outlook for global financial markets, which at the time of writing are potentially volatile. The outlook for our insurance operations is generally positive. We will continue with our conservative core investment approach and prudent policies in such areas as cost control in the pursuit of long-term growth in shareholder value.

### Economic Background

The international economy showed firm growth in the first half of 2018, with strong consumption and commodity prices. China's economy moderated somewhat under the effects of deleveraging. Hong Kong enjoyed strong domestic and external demand and achieved first-quarter GDP growth of 4.7%. This was reflected in continuing firmness in the labour market and consumption.

However, fears of international trade conflicts hit markets during the period. The Hang Seng Index declined 3.2% during the first half, while H Shares fell by 5.4% and the S&P500 rose 1.7%. Bond markets generally showed weakness owing to concerns about inflation and rising interest rates.

### Management Approach and Future Prospects

The global and regional economic fundamentals at mid-2018 look positive, and Hong Kong's economy is performing particularly strongly. The same is true of the US economy, with high corporate earnings spurring stock market gains. One uncertainty is interest rates, which could rise faster than expected owing to higher inflation – with repercussions for the markets. Another is the prospect of tariffs and other protectionist measures disrupting global trade and investment flows, which could affect the Hong Kong economy.

### Management Approach and Future Prospects (continued)

Medium-term prospects for our insurance operations remain 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.

We remain optimistic 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 in the midst of 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

<u>Insurance</u>

Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance") achieved profit attributable to shareholders of HK$87.3 million in the first half of 2018, a 55.8% decrease compared with the same period in 2017.

Turnover rose by 11.5%. This is a good result in view of our commitment to underwriting discipline and the intense competition in pricing in several major market segments in Hong Kong. There was no exposure to major catastrophes in the period. Underwriting profit was at the same level as in the first half of 2017 (all the above figures are before elimination of intergroup transactions), maintaining Asia Insurance's very healthy profit margin.

Unrealised losses in investments resulted in a year-on-year fall in investment returns. This mainly reflected volatility in equity markets during the period. Dividend and interest income were satisfactory.

The rise in Asia Insurance's costs in the first half of 2018 was in line with the company's business growth and market trends in pay.

## **Business Review** (continued)

### Insurance (continued)

The outlook for Asia Insurance's core underwriting activities looks positive for the second half of 2018 and beyond. Our key challenge is soft pricing in the very competitive Hong Kong market. 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.

Asia Insurance continued in the first half of 2018 to develop its distribution network through new agents and brokers. We are considering various ways to further enhance our product range, employee skills, systems and distribution capacity in anticipation of future trends in clients' needs and market conditions. This includes the launch of an on-line platform for business partners. 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 war 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 2018. BC Reinsurance Limited, The People's Insurance Company of China (Hong Kong) Limited and Professional Liability Underwriting Services Limited all maintained generally stable profits. No profits from Hong Kong Life Insurance Limited were booked in the period as it is reclassified as an asset held for sale.

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 RMB69.9 billion in premium income for the first half of 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 21.1% of our total assets.

### Business Review (continued)

#### Other Portfolio Investment

Trading investments showed realised and unrealised declines in the first half of 2018. This reflected weakness in the Hong Kong and China equities markets, largely due to global fears of trade conflict. Returns from non-traded investments rose owing to growth in dividend income. Net interest income rose owing to higher returns from deposits.

Our portfolio investment approach will remain long-term and not simply focused on 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 strategic and long-term opportunities arising from structural changes in the international environment.

#### 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 2018, helped by general business growth. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, is 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 2.9% 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 revenues from the project booked in the first half of 2018 resulted from the sale of a number of car parking spaces. The first stage of Phase 3 of the project is now under construction, and pre-sales so far have proved encouraging. 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, 2018 amounted to HK$2,484,892,000 (31st December, 2017: HK$2,627,224,000).

The Group had a bank borrowing of HK$150,000,000 as at 30th June, 2018 (31st December, 2017: HK$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 29th January, 2019 and charged at 1.25% over the 3-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2018. 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 securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

## Charge on Assets

As at 30th June, 2018, Asia Insurance charged assets with a carrying value of HK$119,138,000 (31st December, 2017: HK$119,409,000) 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 securities measured at fair value through profit or loss with fair value of not less than HK$150,000,000 (31st December, 2017: HK$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK$150,000,000 (31st December, 2017: HK$150,000,000).

## Contingent Liabilities

As at 30th June, 2018, the Group had no material contingent liabilities.

## Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2018 was 281 (31st December, 2017: 274). 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, 2018. 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, 2018, a subsidiary of the Company repurchased a total of 3,030,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK$15,141,000 (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:

| **Month of repurchase** | **Number of Ordinary shares repurchased** | **Highest purchase price per share** | **Lowest purchase price per share** | **Aggregate purchase price (excluding expenses)** |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$'000 |
| April 2018 | 1,354,000 | 4.89 | 4.70 | 6,537 |
| May 2018 | 1,282,000 | 5.30 | 4.83 | 6,454 |
| June 2018 | 394,000 | 5.50 | 5.30 | 2,150 |
| | 3,030,000 | | | 15,141 |

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.

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 on 24th May, 2017 and 16th May, 2018. 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, 2018 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, 2018 except for the deviation as specified and explained below with considered reasons for such deviation:

Code Provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings. Mr. SOPHONPANICH Chote and Mr. YAMAMOTO Takao, being the then non-executive directors, were unable to attend the annual general meeting of the Company held on 16th May, 2018 (the "2018 AGM") as both did not offer themselves for re-election as director at the 2018 AGM due to other commitment and retired from the conclusion of the 2018 AGM.

## 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, 2018 and recommended it for the Board's approval.

## Interim Dividend

The Board has resolved to declare an interim cash dividend of HK2.0 cents (2017: HK4.0 cents) per ordinary share for the six months ended 30th June, 2018 payable on or about Tuesday, 2nd October, 2018 to shareholders whose names appear on the Register of Members of the Company on Thursday, 20th September, 2018.

## Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 18th September, 2018 to Thursday, 20th September, 2018, 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, 17th September, 2018.

## Publication of 2018 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 2018 Interim Report will be despatched to the shareholders and available on the same websites on or about Friday, 14th September, 2018.

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

Hong Kong, 23rd August, 2018

*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, Mr. MA Andrew Chiu Cheung, Mrs. LAI KO Wing Yee Rebecca and Mrs. SHUEN LEUNG Lai Sheung Loretta.*

* *For identification purpose only*