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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)

## 2020 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, 2020 as follows:

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

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June,	
		2020 HK\$'000	2019 HK\$'000
<b>REVENUE</b>	3	<b>953,378</b>	<b>940,421</b>
Gross premiums		953,378	940,421
Reinsurers' share of gross premiums		(340,696)	(340,137)
Change in unearned premiums reserve		(76,116)	(109,231)
Change in life reserve		(11,157)	(6,472)
Net insurance contracts premiums revenue		525,409	484,581
Gross claims paid		(376,965)	(565,140)
Reinsurers' share of gross claims paid		220,320	392,566
Gross change in outstanding claims		(144,723)	114,816
Reinsurers' share of gross change in outstanding claims		41,058	(166,615)
Net claims incurred		(260,310)	(224,373)
Commission income		67,637	69,478
Commission expense		(211,556)	(219,830)
Net commission expense		(143,919)	(150,352)
Management expenses for underwriting business		(57,781)	(35,307)
Underwriting profit		63,399	74,549

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

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June,	
		2020 HK\$'000	2019 HK\$'000
Dividend income		55,192	79,155
Realised gain/(loss) on investments		(76,664)	20,344
Unrealised gain/(loss) on investments		(54,981)	65,076
Interest income		47,732	48,814
Other income and gains/(losses), net		<u>(38,516)</u>	<u>802</u>
		(3,838)	288,740
Operating expenses		(60,066)	(57,365)
Finance costs	4	<u>(336)</u>	<u>(2,165)</u>
		(64,240)	229,210
Share of profits and losses of joint ventures		(21,232)	29,334
Share of profits and losses of associates		<u>64,388</u>	<u>2,753</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>(21,084)</b>	261,297
Income tax expense	6	<u>(7,060)</u>	<u>(16,178)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><b>(28,144)</b></u>	<u>245,119</u>
Attributable to:			
Equity holders of the Company		(29,894)	244,649
Non-controlling interests		<u>1,750</u>	<u>470</u>
		<u><b>(28,144)</b></u>	<u>245,119</u>
<b>INTERIM DIVIDEND</b>	7	<u><b>9,493</b></u>	<u>33,907</u>
<b>INTERIM DIVIDEND PER SHARE</b>	7	<u><b>HK1.0 cent</b></u>	<u>HK3.5 cents</u>
<b>EARNINGS /(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic - For profit/(loss) for the period		<u><b>(HK3.1 cents)</b></u>	<u>HK25.2 cents</u>
Diluted - For profit/(loss) for the period		<u><b>N/A</b></u>	<u>N/A</u>

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2020

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(28,144)</b>	<b>245,119</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(expense) of joint ventures	(16,391)	15,668
Share of other comprehensive income/(expense) of associates	(6,544)	12,937
Exchange differences on translation of foreign operations	(942)	(381)
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	(23,877)	28,224
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(1,241,964)	(30,745)
Income tax effect	77,336	(938)
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods	(1,164,628)	(31,683)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX</b>	<b>(1,188,505)</b>	<b>(3,459)</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>	<b>(1,216,649)</b>	<b>241,660</b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	(1,219,486)	237,094
Non-controlling interests	2,837	4,566
	<b>(1,216,649)</b>	<b>241,660</b>

# Condensed Consolidated Statement of Financial Position

## (Unaudited)

30th June, 2020

	Notes	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment		184,806	181,382
Investment properties		264,489	285,300
Interests in joint ventures		462,538	496,698
Interests in associates		564,163	507,333
Due from associates		256,140	256,140
Held-to-collect debt securities at amortised cost		746,534	738,587
Equity investments designated at fair value through other comprehensive income ("FVOCI")		4,597,147	5,801,466
Pledged deposits		305,590	305,590
Loans and advances and other assets		154,093	117,982
Financial assets at fair value through profit or loss		905,045	1,147,947
Insurance receivables	9	324,315	251,060
Reinsurance assets		1,442,829	1,401,886
Cash and cash equivalents		<u>3,396,477</u>	<u>3,366,602</u>
<b>Total assets</b>		<b><u>13,604,166</u></b>	<b><u>14,857,973</u></b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Issued capital	10	959,294	960,840
Reserves		8,024,093	9,267,043
Proposed dividend		<u>9,493</u>	<u>47,968</u>
		<b>8,992,880</b>	10,275,851
Non-controlling interests		<u>50,166</u>	<u>47,329</u>
<b>Total equity</b>		<b><u>9,043,046</u></b>	<b><u>10,323,180</u></b>
Liabilities			
Insurance contracts liabilities		3,835,344	3,603,464
Insurance payables	11	182,911	207,099
Due to associates		4,222	4,222
Other liabilities		254,035	264,101
Interest-bearing bank borrowing		-	100,000
Tax payable		79,250	73,957
Deferred tax liabilities		<u>205,358</u>	<u>281,950</u>
<b>Total liabilities</b>		<b><u>4,561,120</u></b>	<b><u>4,534,793</u></b>
<b>Total equity and liabilities</b>		<b><u>13,604,166</u></b>	<b><u>14,857,973</u></b>

## 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, 2019 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, 2020 and as disclosed below.

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

## Notes to the Interim Financial Statements (Unaudited)

### 1. Accounting Policies (continued)

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.

## 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
For the six months ended 30th June, 2020				
Segment revenue:				
External customers	953,378	-	-	953,378
Other revenue, income and losses, net	(31,701)	(35,536)	-	(67,237)
Intersegment	<u>4,723</u>	<u>-</u>	<u>(4,723)</u>	<u>-</u>
Total	<u>926,400</u>	<u>(35,536)</u>	<u>(4,723)</u>	<u>886,141</u>
Segment results	<u>(5,229)</u>	<u>(59,011)</u>	<u>-</u>	<u>(64,240)</u>
Share of profits and losses of:				
Joint ventures	(36,842)	15,610	-	(21,232)
Associates	15,313	49,075	-	<u>64,388</u>
Loss before tax				(21,084)
Income tax expense	(5,921)	(1,139)	-	<u>(7,060)</u>
Loss for the period				<u>(28,144)</u>

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

## 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, 2020</b>			
Segment assets	7,012,204	5,565,261	12,577,465
Interests in joint ventures	350,535	112,003	462,538
Interests in associates	218,779	345,384	564,163
<b>Total assets</b>	<b>7,581,518</b>	<b>6,022,648</b>	<b>13,604,166</b>
<b>Segment liabilities</b>	<b>4,302,774</b>	<b>258,346</b>	<b>4,561,120</b>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>31st December, 2019</b>			
Segment assets	7,119,144	6,734,798	13,853,942
Interests in joint ventures	400,305	96,393	496,698
Interests in associates	200,913	306,420	507,333
<b>Total assets</b>	<b>7,720,362</b>	<b>7,137,611</b>	<b>14,857,973</b>
<b>Segment liabilities</b>	<b>4,099,403</b>	<b>435,390</b>	<b>4,534,793</b>

#### (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,	
	2020 HK\$'000	2019 HK\$'000
Interest on a bank loan	304	2,165
Interest on lease liabilities	32	-
	<b>336</b>	<b>2,165</b>



## Notes to the Interim Financial Statements (Unaudited)

### 5. Profit/(Loss) Before Tax

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

	<b>Six months ended 30th June,</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Auditor's remuneration	<b>(1,838)</b>	(1,777)
Depreciation	<b>(5,191)</b>	(3,942)
Employee benefits expense (including directors' remuneration)	<b>(75,088)</b>	(67,199)
Expenses of short-term leases and leases of low-value assets	<b>(156)</b>	(759)
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	<b>(82,227)</b>	20,200
- redemption/call back of held-to-collect debt securities at amortised cost	-	144
- change in interest in a joint venture	<b>5,563</b>	-
Total realised gain/(loss) on investments	<b><u>(76,664)</u></b>	<u>20,344</u>
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	<b>(54,981)</b>	65,076
Change in expected credit losses	<b>(4,640)</b>	-
Interest income	<b>47,732</b>	48,814
Gain/(loss) on disposal/write-off of items of property, plant and equipment <sup>^</sup>	<b>(4)</b>	8
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<b>(96)</b>	(94)
Change in fair value of investment properties <sup>^</sup>	<b>(32,905)</b>	-
Foreign exchange loss, net <sup>^</sup>	<b>(11,423)</b>	(3,984)
Dividend income from:		
Listed investments	<b>37,844</b>	41,631
Unlisted investments	<b>17,348</b>	37,524
Total dividend income	<b><u>55,192</u></b>	<u>79,155</u>

<sup>^</sup> Such amount was included in "Other income and gains/(losses), 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% (2019: 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,	
	2020	2019
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	398	10,555
Current – Elsewhere		
Charge for the period	5,918	5,623
Deferred tax charge	<u>744</u>	<u>-</u>
Total tax charge for the period	<u>7,060</u>	<u>16,178</u>

### 7. Dividend

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK1.0 cent (2019: HK3.5 cents)		
per ordinary share	<u>9,493</u>	<u>33,907</u>

The Board has resolved to pay an interim dividend of HK1.0 cent per share (2019: HK3.5 cents), which will be paid in cash, for the six months ended 30th June, 2020 payable on or about 8th October, 2020 to shareholders whose names appear on the Register of Members of the Company on 24th September, 2020.

### 8. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings/(loss) per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$29,894,000 (2019: profit of HK\$244,649,000) and the weighted average number of ordinary shares of 959,351,000 (2019: 971,324,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30th June, 2020 and 2019 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. Insurance Receivables

	<b>30th June, 2020</b>	31st December, 2019
	<b>HK\$'000</b>	HK\$'000
Amounts due in respect of:		
Direct underwriting	<b>237,726</b>	135,355
Reinsurance accepted	<b><u>96,806</u></b>	<u>121,282</u>
	<b>334,532</b>	256,637
Less: Impairment	<b><u>(10,217)</u></b>	<u>(5,577)</u>
	<b><u>324,315</u></b>	<u>251,060</u>

The Group grants credit terms of three months to six months on billed policies. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement within 12 months from the end of the reporting period.

The Group's insurance receivables relate to a large number of diversified customers, and therefore, there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

An aging analysis of the insurance receivables based on the issuance date of policies, as at the end of the reporting period, is as follows:

	<b>30th June, 2020</b>	31st December, 2019
	<b>HK\$'000</b>	HK\$'000
Three months or less	<b>272,797</b>	216,283
Six months or less but over three months	<b>57,935</b>	36,285
One year or less but over six months	<b>3,093</b>	3,219
Over one year	<b><u>707</u></b>	<u>850</u>
	<b>334,532</b>	256,637
Less: Impairment	<b><u>(10,217)</u></b>	<u>(5,577)</u>
	<b><u>324,315</u></b>	<u>251,060</u>

## Notes to the Interim Financial Statements (Unaudited)

### 9. Insurance Receivables (continued)

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

	<b>30th June, 2020 HK\$'000</b>	31st December, 2019 HK\$'000
At beginning of year	5,577	2,765
Impairment losses	4,640	3,300
Amount written off as uncollectible	<u>-</u>	<u>(488)</u>
	<u><b>10,217</b></u>	<u><b>5,577</b></u>

### 10. Share Capital

	<b>30th June, 2020 HK\$'000</b>	31st December, 2019 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:		
959,294,000 (2019: 960,840,000) ordinary shares of HK\$1 each	<u><b>959,294</b></u>	<u>960,840</u>

A summary of movements in the Company's share capital is as follows:

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1st January, 2020	<b>960,840,000</b>	<b>960,840</b>
Shares repurchased in Dec 2019 and cancelled in Jan 2020	<b>(148,000)</b>	<b>(148)</b>
Shares repurchased and cancelled (note)	<u><b>(1,398,000)</b></u>	<u><b>(1,398)</b></u>
At 30th June, 2020	<u><b>959,294,000</b></u>	<u><b>959,294</b></u>

## Notes to the Interim Financial Statements (Unaudited)

### 10. Share Capital (continued)

Note:

During the period ended 30th June, 2020, a subsidiary of the Company repurchased 4,354,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$2.90 to HK\$4.00 per share at a total consideration of HK\$15,521,000 (including expenses). Out of which, 1,398,000 repurchased shares were cancelled. The premium of HK\$4,000,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$1,398,000 was transferred from retained profits of the Company to the capital redemption reserve.

The remaining 2,956,000 shares with cost of HK\$10,123,000 were classified as treasury shares at 30th June, 2020 and were subsequently cancelled in July 2020.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 7,044,000 ordinary shares of the Company from the market at prices ranging from HK\$3.40 to HK\$3.58 per shares at a total amount of HK\$24,876,000 (including expenses). As at the date of this report, the number of issued shares of the Company is 949,294,000 shares.

### 11. Insurance payables

An aging analysis of the insurance payables based on the invoice date, as at the end of the reporting period, is as follows:

	<b>30th June, 2020</b>	31st December, 2019
	<b>HK\$'000</b>	HK\$'000
Three months or less	<b>98,312</b>	138,495
Six months or less but over three months	<b>39,872</b>	23,820
One year or less but over six months	<b>11,919</b>	16,985
Over one year	<b>32,808</b>	27,799
	<b><u>182,911</u></b>	<u>207,099</u>

## Management Discussion and Analysis

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

Loss attributable to equity holders of the Company:	HK\$29.9 million	-112.2%
Loss per share:	HK3.1 cents	-112.3%
Interim dividend per share:	HK1.0 cent	-71.4%

Asia Financial Holdings Limited (“Asia Financial”) recorded a net loss attributable to shareholders of HK\$29.9 million in the first half of 2020, a 112.2% reversal from the HK\$244.6 million profit over the same period in 2019. The main contributing factor was the impact of the coronavirus pandemic, a historic crisis that continues to create uncertainty and volatility in economies and global equities markets. In spite of unprecedented economic headwinds, our core businesses showed reassuring resiliency. Current underwriting profits remain stable. Overall contributions from our joint-ventures and associates were mixed, however our expenses remained under control and in line with inflation.

Asia Financial’s prospects for the second half of 2020 will continue to be affected by the unfolding pandemic crisis and its unpredictable impact on the performance of global equities markets and on global economies in general. Despite the unfavorable economic environment, we remain cautiously optimistic about the outlook for our insurance operations. Our core business is solid and mature, and we are fortunate to enjoy customer confidence in the marketplace, due to our company’s 60+ year history in the insurance business. This will be an asset to us as we face upcoming challenges on the path to global economic recovery. 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 fell sharply in the first half of 2020, due to the unprecedented COVID-19 pandemic, which triggered the most severe recession in over a century. The Organisation for Economic Co-operation and Development (OECD) estimates a 6% decline in global GDP, US unemployment rate hit a record high of 14.7% in April. Interest rates remained low. Hong Kong’s GDP contracted by 9%, and unemployment rose to 6.5% in the second quarter, although these levels are stabilizing due to HK government stimulus initiatives. China’s economy, meanwhile, is rebounding more quickly from the pandemic and is expected to have a small positive growth this year.

The US and China markets have gradually returned to pre-pandemic levels, but market performance elsewhere was mixed. The Hang Seng index fell sharply by 13.3% lagging behind the performance of China and US markets, which have been supported by a more resilient economy and monetary easing, respectively. H Shares were in line with the Hang Seng index, losing about 12.6%, and the S&P 500 by mid-year had recovered most of its 2020 losses.

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

### **Management Approach and Future Prospects**

The global and regional economic picture in mid-2020 remains uncertain and difficult to predict. There is a disconnect between markets and economies - while big equities markets in the US and China are demonstrating resilience, the overall global economic growth indicators are weak. We will be closely monitoring the development of the pandemic crisis and its impact on the global economic environment. Additional concerns include geopolitical risk, the impact of US-China relations on both equities markets and trade, and a weak Hong Kong economy that we expect will remain challenging through the second half of 2020. We will maintain a prudent portfolio investment strategy accordingly.

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

At this time of global challenge in our industry and the world, our company's reputation and stability are an advantage in an uncertain and volatile marketplace. The region is undergoing a major transformation involving the rise of large middle classes, gradually aging societies and greater use of market-based solutions to demographic and other policy challenges. In this changing environment, Asia Financial is well-positioned for steady and successful growth.

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

## Management Discussion and Analysis (continued)

### Business Review

#### Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved net loss attributable to shareholders of HK\$29.1 million in the first half of 2020, a 119.5% reversal from the HK\$149.5 million profit over the same period in 2019.

Despite the pandemic’s impact on our clients’ businesses, our turnover for the first half of 2020 rose by 1.4%, an extraordinary testimony to our company’s service, reputation and client confidence. We maintained most of our existing business while adding new business as well, particularly in our core SME market. There was no exposure to major catastrophe during the period. Underwriting profit dropped 14.1%. This is partly due to payouts on catastrophic losses from previous years, and partly because we were required to increase our insurance reserve when we added new business. Our fundamental underwriting profit trend remains healthy and stable, and we remain among the top performers in the Hong Kong insurance industry, with a S&P’s rating of A. (All the above figures are before elimination of intergroup transactions.)

We suffered both realised and unrealised losses in our investments, due to the historically bad performance of global equities markets in this period of coronavirus pandemic.

The rise in Asia Insurance’s costs in the first half of 2020 was in line with the company’s continuing business growth and investment in user and backend systems.

The outlook for Asia Insurance’s core underwriting activities looks positive for the second half of 2020 and beyond in both Hong Kong and Macau. We will continue to utilize our risk management expertise to focus on quality business, and to optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

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

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



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

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

#### Insurance (continued)

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

In terms of investment performance, the pandemic and related economic fallout along with geopolitical risk and trade tensions make the outlook for the rest of the year uncertain. We will maintain a sensible and watchful approach towards portfolio management.

Joint ventures and associates in the insurance segment had mixed performances in the first half of 2020. BC Reinsurance Limited had an investment loss due to global equity volatility. Hong Kong Life Insurance Limited experienced an operating loss due to the life insurance industry's thin profit margin, and because of low interest rates in the bond market. Professional Liability Underwriting Services Limited enjoyed a stable profit while The People's Insurance Company of China (Hong Kong) Limited saw a return to healthy underwriting profit.

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. At the time of writing, interim results are still awaited. However the company maintains a healthy position in the China market, with a substantial network of offices.

#### Other Portfolio Investment

Trading investments felt the impact of the unprecedented downturn in global equities markets due to the coronavirus pandemic. We have adjusted our portfolio in line with market changes, and will continue to monitor and adjust to continuing market fluctuations. Returns from non-traded investments were healthy.

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

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

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

#### Health Care and Wellness

Our 3.4% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our largest listed equity investment. This year, the stock market valuation weakened due to a suffering Thai economy, which experienced its sharpest downturn in 22 years. The Thai baht, as well, dropped in value. Additionally, the company felt the negative effect of coronavirus pandemic restrictions on entry to Thailand (48% of Bumrungrad’s patients are from overseas.) With Thailand on track to re-opening its borders to medical tourism, Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services is likely to rebound.

#### Pension and Asset Management

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

#### Property Development

The Group’s interests in real estate are focused on Shanghai and represent 3.7% 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.

China’s property market remains strong, and there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 is being developed in three stages, and in the first half of 2020 we took a healthy profit from residential sales of Stage One. Despite the COVID-19 pandemic, there was enthusiastic demand for residential sales of Stage Two, which is now 100% sold. We expect to realise these profits in 2021. We anticipate that Stage Three, currently in permit application status, will follow the successful trajectory of the project’s previous stages.

## Management Discussion and Analysis (continued)

### Securities Investments Representing More than 5% of Total Assets

As at 30th June, 2020, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares  (in thousand)	Fair value as at 30th June, 2020 (HK\$'million)	% of total Group assets	Realised and unrealised losses (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	2,766	20.3%	(607)	Nil
Bumrungrad Hospital	27,400	801	5.9%	(242)	12

Both investments are mainly long-term strategic holdings.

### Capital Structure

The Group finances its own working capital requirement through funds generated from operations.

### Liquidity, Financial Resources and Gearing Ratio

The Group's cash and cash equivalents as at 30th June, 2020 amounted to HK\$3,396,477,000 (31st December, 2019: HK\$3,366,602,000).

The Group had no bank borrowing as at 30th June, 2020 (31st December, 2019: The Group had a bank borrowing of HK\$100,000,000 which was secured by certain bank deposits and Hong Kong listed shares, repayable on or before 29th January, 2020 and charged at 1.25% over the 1,2,3 or 6-month Hong Kong Interbank Offered Rate per annum. The bank borrowing was fully repaid on 29th January, 2020.)

No gearing ratio was calculated as the Group had no net debt as at 30th June, 2020. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to associates and 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, 2020, Asia Insurance charged assets with a carrying value of HK\$119,012,000 (31st December, 2019: HK\$119,516,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

### **Contingent Liabilities**

As at 30th June, 2020, the Group had no material contingent liabilities.

### **Employees and Remuneration Policy**

The total number of employees of the Group as at 30th June, 2020 was 292 (31st December, 2019: 291). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2020. 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, 2020, a subsidiary of the Company repurchased a total of 4,354,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$15,491,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the reporting period and after the end of 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	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jan 2020	918,000	4.00	3.84	3,593
Feb 2020	422,000	3.85	3.83	1,624
Mar 2020	58,000	2.90	2.90	168
Jun 2020	<u>2,956,000</u>	3.50	3.35	<u>10,106</u>
	<u>4,354,000</u>			<u>15,491</u>

Subsequent to the end of the reporting period and up to the date of this announcement, a total of 7,044,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$24,810,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 15th July, 2020, 24th July, 2020 and 30th July, 2020 respectively. Details of the ordinary shares repurchased on the Stock Exchange after the end of the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jul 2020	<u>7,044,000</u>	3.58	3.40	<u>24,810</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 949,294,000 shares.

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

The purchase of the Company's shares during the reporting period and after the end of the reporting period was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2019 and 2020 respectively. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 30th June, 2020 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, 2020.

### **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, 2020 and recommended it for the Board's approval.

### **Interim Dividend**

The Board has resolved to declare an interim cash dividend of HK1.0 cent (2019: HK3.5 cents) per ordinary share for the six months ended 30th June, 2020 payable on or about Thursday, 8th October, 2020 to shareholders whose names appear on the Register of Members of the Company on Thursday, 24th September, 2020.

## Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 22nd September, 2020 to Thursday, 24th September, 2020, 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, 21st September, 2020.

## Publication of 2020 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 2020 Interim Report will be despatched to the shareholders and available on the same websites on or about Thursday, 17th September, 2020.

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

Hong Kong, 27th August, 2020

*As at the date of this announcement, the executive directors of the Company are Dr. CHAN Yau Hing Robin (Chairman), Mr. CHAN Bernard Charnwut (President), Mr. TAN Stephen, Mr. WONG Kok Ho; the non-executive directors are Mr. KAWAUCHI Yuji, Mr. OGURA Satoru; and the independent non-executive directors are Ms. CHOW Suk Han Anna, Mrs. LAI KO Wing Yee Rebecca and Mrs. SHUEN LEUNG Lai Sheung Loretta.*

\* *For identification purpose only*