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

(Stock Code: 662)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

### RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company" or "Asia Financial") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2021 as follows:

#### Consolidated Statement of Profit or Loss

Year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	3	<u>1,916,355</u>	<u>1,747,918</u>
Gross premiums		1,784,844	1,668,958
Reinsurers' share of gross premiums		<u>(649,097)</u>	<u>(632,083)</u>
Net insurance contracts premiums revenue		1,135,747	1,036,875
Gross claims paid		(813,693)	(723,229)
Reinsurers' share of gross claims paid		362,674	339,447
Gross change in outstanding claims		(141,927)	(252,680)
Reinsurers' share of gross change in outstanding claims		<u>18,328</u>	<u>126,296</u>
Net claims incurred		(574,618)	(510,166)
Commission income		151,652	138,134
Commission expense		<u>(439,175)</u>	<u>(393,258)</u>
Net commission expense		(287,523)	(255,124)
Management expenses for underwriting business		<u>(103,368)</u>	<u>(117,647)</u>
Underwriting profit		170,238	153,938

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## Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Dividend income		300,598	166,270
Realised gain/(loss) on investments		40,694	(64,049)
Unrealised gain on investments		76,958	98,856
Interest income		53,637	77,671
Other income and gains/(losses), net		<u>29,755</u>	<u>(8,228)</u>
		<b>671,880</b>	424,458
Operating expenses		<b>(172,319)</b>	(133,132)
Finance costs	4	<u>(85)</u>	<u>(383)</u>
		<b>499,476</b>	290,943
Share of profits or losses of joint ventures		27,661	26,883
Share of profits or losses of associates		<u>176,710</u>	<u>54,595</u>
<b>PROFIT BEFORE TAX</b>	5	<b>703,847</b>	372,421
Income tax expense	6	<u>(38,566)</u>	<u>(27,474)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>665,281</b></u>	<u>344,947</u>
Attributable to:			
Equity holders of the Company		665,428	337,952
Non-controlling interests		<u>(147)</u>	<u>6,995</u>
		<u><b>665,281</b></u>	<u>344,947</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted			
- For profit for the year		<u><b>HK70.7 cents</b></u>	<u>HK35.4 cents</u>

# Consolidated Statement of Comprehensive Income

Year ended 31st December, 2021

	2021 HK\$'000	2020 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<u>665,281</u>	<u>344,947</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of joint ventures	(11,825)	9,879
Share of other comprehensive income of associates	16,986	32,443
Exchange differences on translation of foreign operations	<u>1,242</u>	<u>( 910)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>6,403</u>	<u>41,412</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(1,305,460)	542,491
Income tax effect	<u>137,468</u>	<u>(85,939)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(1,167,992)</u>	<u>456,552</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>(1,161,589)</u>	<u>497,964</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>(496,308)</u>	<u>842,911</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(497,301)	835,359
Non-controlling interests	<u>993</u>	<u>7,552</u>
	<u>(496,308)</u>	<u>842,911</u>

# Consolidated Statement of Financial Position

31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment		188,702	194,232
Investment properties		264,100	257,500
Interests in joint ventures		637,436	515,444
Interests in associates		611,513	427,519
Due from associates		255,015	256,140
Held-to-collect debt securities at amortised cost		1,126,063	1,042,767
Equity investments designated at fair value through other comprehensive income		5,489,020	6,850,964
Pledged deposits		295,808	313,357
Loans and advances and other assets		165,468	153,702
Financial assets at fair value through profit or loss		1,677,659	1,341,716
Insurance receivables	9	215,444	231,385
Reinsurance assets		1,593,696	1,531,060
Cash and cash equivalents		2,873,685	2,800,240
Total assets		<u>15,393,609</u>	<u>15,916,026</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Issued capital	10	939,966	946,620
Reserves		9,341,683	9,991,849
Proposed final dividend		98,623	65,970
		<u>10,380,272</u>	<u>11,004,439</u>
Non-controlling interests		-	54,881
Total equity		<u>10,380,272</u>	<u>11,059,320</u>
Liabilities			
Insurance contracts liabilities		4,208,542	3,935,104
Insurance payables	11	199,287	169,375
Due to associates		4,222	4,222
Other liabilities		328,282	304,552
Tax payable		33,280	69,637
Deferred tax liabilities		239,724	373,816
Total liabilities		<u>5,013,337</u>	<u>4,856,706</u>
Total equity and liabilities		<u>15,393,609</u>	<u>15,916,026</u>

## Notes

### 1. Changes in Accounting Policies and Disclosures

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

The nature and the impact of the revised HKFRSs are described below:

#### Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

#### Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*

Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

Adoption of these 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** (continued)

**2. Operating Segment Information**

**(a) Operating segments**

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

	Insurance 2021 HK\$'000	Corporate 2021 HK\$'000	Eliminations 2021 HK\$'000	Consolidated 2021 HK\$'000
<b>Segment revenue:</b>				
External customers	1,916,355	-	-	1,916,355
Other revenue, income and gains, net	153,763	347,879	-	501,642
Intersegment	7,354	-	(7,354)	-
<b>Total</b>	<u>2,077,472</u>	<u>347,879</u>	<u>(7,354)</u>	<u>2,417,997</u>
<b>Segment results</b>	<u>237,193</u>	<u>262,283</u>	<u>-</u>	<u>499,476</u>
<b>Share of profits or losses of:</b>				
Joint ventures	(5,406)	33,067	-	27,661
Associates	3,764	172,946	-	176,710
<b>Profit before tax</b>				<b>703,847</b>
<b>Income tax expense</b>	<b>(7,188)</b>	<b>(31,378)</b>	<b>-</b>	<u><b>(38,566)</b></u>
<b>Profit for the year</b>				<u><b>665,281</b></u>

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

## Notes (continued)

### 2. Operating Segment Information (continued)

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

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2021			
Segment assets	7,486,855	6,657,805	14,144,660
Interests in joint ventures	523,020	114,416	637,436
Interests in associates	50,136	561,377	611,513
Total assets	<u>8,060,011</u>	<u>7,333,598</u>	<u>15,393,609</u>
Segment liabilities	<u>4,462,259</u>	<u>551,078</u>	<u>5,013,337</u>
31st December, 2020			
Segment assets	7,359,635	7,613,428	14,973,063
Interests in joint ventures	409,855	105,589	515,444
Interests in associates	49,607	377,912	427,519
Total assets	<u>7,819,097</u>	<u>8,096,929</u>	<u>15,916,026</u>
Segment liabilities	<u>4,189,996</u>	<u>666,710</u>	<u>4,856,706</u>

#### (b) Geographical information

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

### 3. Revenue

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

### 4. Finance Costs

	2021 HK\$'000	2020 HK\$'000
Interest on a bank loan	-	304
Interest on lease liabilities	<u>85</u>	<u>79</u>
	<u>85</u>	<u>383</u>

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

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>(3,831)</b>	(3,757)
Depreciation	<b>(13,402)</b>	(14,022)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>(188,061)</b>	(154,854)
Pension scheme contributions	<b>(5,924)</b>	(6,784)
Less: Forfeited contributions	<b>174</b>	50
Net pension scheme contributions	<b>(5,750)</b>	(6,734)
Total employee benefit expense	<b>(193,811)</b>	(161,588)
Expenses relating short-term leases and leases of low-value assets	<b>(180)</b>	(715)
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	<b>44,825</b>	(82,249)
- redemption/call-back of held-to-collect debt securities at amortised cost	<b>(4,131)</b>	-
- gain on changes in ownership interest in a joint venture	-	5,535
- gain on deemed disposal of interest in an associate	-	12,665
Total realised gain/(loss) on investments	<b>40,694</b>	(64,049)
Unrealised gain on financial assets at fair value through profit or loss, net	<b>76,958</b>	98,856
Changes in expected credit losses for:		
Insurance receivables	<b>2,327</b>	(5,014)
Held-to-collect debt securities at amortised cost	<b>181</b>	(1,237)
Interest income	<b>53,637</b>	77,671
Loss on disposal/write-off of items of property, plant and equipment*	<b>(35)</b>	(288)
Gross rental income*	<b>7,032</b>	7,132
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<b>(209)</b>	(366)
Change in fair value of investment properties*	<b>6,600</b>	(28,704)
Subsidies from Government*	<b>932</b>	6,602
Foreign exchange gain, net*	<b>9,934</b>	1,392

## Notes (continued)

### 5. Profit before Tax (continued)

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

	2021 HK\$'000	2020 HK\$'000
Dividend income from:		
Listed investments	60,118	52,364
Unlisted investments	<u>240,480</u>	<u>113,906</u>
Total dividend income	<u>300,598</u>	<u>166,270</u>

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

### 6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2021 HK\$'000	2020 HK\$'000
Current - Hong Kong		
Charge for the year	17,050	16,985
Over provision in prior years	(19,562)	(19,250)
Current – Elsewhere		
Charge for the year	38,220	23,818
Over provision in prior years	(518)	(6)
Deferred	<u>3,376</u>	<u>5,927</u>
Total tax charge for the year	<u>38,566</u>	<u>27,474</u>

## Notes (continued)

### 7. Dividends

	2021 HK\$'000	2020 HK\$'000
Interim – HK4.0 cents (2020: HK1.0 cent) per ordinary share	37,642	9,493
Proposed final – HK10.5 cents (2020: HK7.0 cents) per ordinary share	<u>98,623</u>	<u>65,970</u>
	<u>136,265</u>	<u>75,463</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, the proposed final dividend has been included in the proposed final dividend reserve account within the equity attributable to equity holders of the Company in the statement of financial position.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$665,428,000 (2020: HK\$337,952,000) and the weighted average number of ordinary shares of 941,843,000 (2020: 954,031,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2021 and 2020.

**Notes** (continued)

**9. Insurance Receivables**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Amounts due in respect of:		
Direct underwriting	<b>110,542</b>	99,795
Reinsurance accepted	<b>113,166</b>	<u>142,181</u>
	<b>223,708</b>	241,976
Less: Impairment allowance	<b>(8,264)</b>	<u>(10,591)</u>
	<b>215,444</b>	<u>231,385</u>

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

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

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Three months or less	<b>193,996</b>	195,413
Six months or less but over three months	<b>24,156</b>	37,406
One year or less but over six months	<b>4,787</b>	8,807
Over one year	<b>769</b>	<u>350</u>
	<b>223,708</b>	241,976
Less: Impairment allowance	<b>(8,264)</b>	<u>(10,591)</u>
	<b>215,444</b>	<u>231,385</u>

**Notes** (continued)

**9. Insurance Receivables** (continued)

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>10,591</b>	5,577
Impairment losses/(write-back of impairment loss) (note 5)	<b><u>(2,327)</u></b>	<u>5,014</u>
	<b><u>8,264</u></b>	<u>10,591</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, insurance receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's insurance receivables using a provision matrix:

As at 31st December, 2021

	Current	<u>Past due</u>			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	<b>0.32%</b>	<b>4.48%</b>	<b>22.05%</b>	<b>93.23%</b>	<b>3.69%</b>
Gross carrying amount (HK\$'000)	<b>193,996</b>	<b>16,255</b>	<b>7,901</b>	<b>5,556</b>	<b>223,708</b>
Expected credit losses (HK\$'000)	<b>613</b>	<b>729</b>	<b>1,742</b>	<b>5,180</b>	<b>8,264</b>

As at 31st December, 2020

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

## Notes (continued)

### 10. Share Capital

	2021 HK\$'000	2020 HK\$'000
Authorised: 1,500,000,000 (2020: 1,500,000,000) ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid: 939,966,000 (2020: 946,620,000) ordinary shares of HK\$1 each	<u>939,966</u>	<u>946,620</u>

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

	Number of shares in issue	Share capital HK\$'000
At 1st January, 2020	960,840,000	960,840
Shares repurchased and cancelled	<u>(14,220,000)</u>	<u>(14,220)</u>
At 31st December, 2020 and 1st January, 2021	<b>946,620,000</b>	<b>946,620</b>
Shares repurchased and cancelled (Note)	<u>(6,654,000)</u>	<u>(6,654)</u>
At 31st December, 2021	<u><b>939,966,000</b></u>	<u><b>939,966</b></u>

Note:

At 31st December, 2020, 470,000 shares with cost of HK\$1,720,000 were classified as treasury shares, and were subsequently cancelled in January 2021. During the year ended 31st December, 2021, a subsidiary of the Company repurchased 6,882,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.27 to HK\$4.10 per share at a total consideration of HK\$25,937,000 (including expenses and dividend). Out of which, 6,184,000 repurchased shares were cancelled.

The premium of HK\$18,506,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$6,654,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the consolidated statement of changes in equity.

The remaining 698,000 shares with cost of HK\$2,497,000 were classified as treasury shares at 31st December, 2021 and were subsequently cancelled in January 2022.

**Notes** (continued)

**11. Insurance Payables**

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

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Three months or less	<b>147,247</b>	107,562
Six months or less but over three months	<b>17,515</b>	17,684
One year or less but over six months	<b>8,423</b>	22,952
Over one year	<b><u>26,102</u></b>	<u>21,177</u>
Total	<b><u>199,287</u></b>	<u>169,375</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

Asia Financial Holdings Limited (“Asia Financial”, “The Group” or “The Company”) recorded a net profit attributable to shareholders of HK\$665.4 million in 2021, a 96.9% increase over the same period in 2020. The main contributing factors were healthy returns from investments and an increase in underwriting profits from the insurance business. Dividend income increased significantly. Overall contributions from our joint ventures and associates were also positive.

In spite of the coronavirus pandemic and its associated economic impact, our core businesses showed reassuring resiliency. Current insurance underwriting profits remain stable and growing. Our core insurance business is solid and mature. We are fortunate to enjoy customer confidence in the marketplace, due to our long-term and unwavering commitment to the Hong Kong and Macau insurance markets. This will be an asset to us as we face upcoming challenges on the path to global economic recovery.

### Economic Background

The global economy showed a firm recovery in 2021 with 5.5% growth from an exceptionally low base in 2020. The US stock market turned in a solid performance with the S&P 500 gaining 26.9% and the Nasdaq up 21.4%. The robust recovery was driven by economic stimulus, accommodative monetary policy by central banks and governments, and low interest rates, etc.

However, economic growth is expected to face significant headwinds amid new waves of COVID-19 infections, rising inflationary pressure with US inflation at a 40-year high, supply-chain disruptions, reduction of stimulus and geopolitical tensions.

The US economy grew 5.7% in 2021, its strongest growth in nearly 4 decades, on the back of fiscal stimulus and policy support against COVID-19. Consumer spending soared 7.9% and the consumer price index climbed 7%.

The Hong Kong economy grew 6.4% in 2021, as a result of a rebound in exports, stabilized pandemic situation and buoyant consumer spending from a government consumption voucher scheme. However, the Hang Seng Index capped 2021 with a 14.1% drop, its steepest loss in a decade, due to China’s regulatory crackdowns.

China’s economy expanded by 8.1% in 2021, due to strong industrial production and exports. China’s stock market had a turbulent year underperforming the European and American indices. China’s large-cap CSI 300 Index fell roughly 5% for the year, due to the implications of Zero-COVID policy, deteriorating conditions in the property sector and impact of regulatory tightening measures imposed on domestic industries from education to technology.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

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

The global and regional economic picture in 2022 remains uncertain and difficult to predict due to underlying risks. Asia Financial's prospects for 2022 will continue to be affected by the pandemic crisis and its impact on the global economic environment. We expect more volatility in markets due to risks of pandemic outbreaks, inflationary pressure, tapering of stimulus, and increased geopolitical tensions. We will maintain a prudent portfolio investment strategy accordingly.

Despite potential economic headwinds, we remain cautiously optimistic about the outlook for our businesses. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

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 to review and optimize 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 ageing 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-placed to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Key Financial and Business Performance Indicators

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

Profit attributable to equity holders of the Company:	HK\$665.4 million	+96.9%
Earnings per share:	HK70.7 cents	+99.7%
Final dividend per share:	HK10.5 cents	+50.0%
Total dividend per share:	HK14.5 cents	+81.3%
Equity attributable to equity holders of the Company:	HK\$10,380.3 million	-5.7%
Total Assets:	HK\$15,393.6 million	-3.3%
Return on equity:	6.2% (3.2% for 2020)	

### Earnings and Dividends

For the year ended 31st December, 2021, the Group recorded net profit attributable to shareholders of HK\$665.4 million, representing a 96.9% increase compared with the previous year. The main contributing factors were healthy returns from investments and an increase in underwriting profits from the insurance business. Dividend income increased significantly. Overall contributions from our joint ventures and associates were also positive.

The Group's earnings per share for the year 2021 were HK70.7 cents. The Board had declared an interim dividend of HK4.0 cents in August 2021 and proposed a final dividend of HK10.5 cents, making a total dividend for the year of HK14.5 cents per share.

### Capital Structure

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

### Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2021 amounted to HK\$2,873,685,000 (2020: HK\$2,800,240,000).

The Group had no bank borrowing as at 31st December, 2021.

No gearing ratio was calculated as the Group had no net current debt as at 31st December, 2021. The gearing ratio was based on net current debt divided by total capital plus net current debt. Net current debt includes current portion of insurance contract liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **Charge on Assets**

As at 31st December, 2021 Asia Insurance Company, Limited (“Asia Insurance”) charged assets with a carrying value of HK\$126,670,000 (2020: HK\$119,030,000) in favour of a cedant to secure the performance of Asia Insurance’s obligations to the cedant under certain pecuniary loss reinsurance contracts.

### **Contingent Liabilities**

As at 31st December, 2021, the Group had no material contingent liabilities.

### **Business Review**

#### Insurance

Wholly owned subsidiary, Asia Insurance achieved net profit attributable to shareholders of HK\$237.1 million in 2021, a 25.1% increase compared with the same period in 2020.

Despite the pandemic’s impact on our clients’ businesses, our turnover for 2021 rose by close to 10% over the same period in 2020, an extraordinary testimony to our company’s service, reputation and client confidence. For 4 years in a row, we have achieved a record high in turnover.

Asia Insurance has been successful in its diversification strategy of developing new business channels, new products and new business partners. We maintained most of our existing profitable businesses, while adding new business from diverse sectors such as reinsurance and the Voluntary Health Insurance Scheme (VHIS) market.

Underwriting profit increased by 10.6% over the same period in 2020. 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 rating of A. (All the above figures are before elimination of group transactions.)

The rise in Asia Insurance’s costs in 2021 was in line with the company’s continued business expansion and investment in user and backend systems. There was no exposure to major catastrophe during the period. Asia Insurance further expanded its distribution network through new agents and brokers and online digital channels. We have smoothly launched novel online platforms with banking and life insurance partners.

In anticipation of future trends in client needs and market conditions, Asia Insurance is actively working on significant innovations to our product range, ongoing upgrades to employee skills, and enhancing systems and distribution capacity.

The outlook for Asia Insurance’s core underwriting activities in both Hong Kong and Macau looks positive for 2022 and beyond. 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

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

#### Insurance (continued)

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

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

We recorded both realised and unrealised gains in our investments. Joint ventures and associates in the insurance segment turned a healthy profit in 2021. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited enjoyed a stable 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. PICC Life maintains a healthy position in the China market, with a substantial network of offices. We enjoyed exceptionally high dividends from PICC Life in 2021.

#### Other Portfolio Investment

Trading investments posted modest growth in 2021 due to the economic recovery and stock market returns from a diversified portfolio of global assets. Dividend income from long-term strategic investments was stable.

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 continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to potential new long-term opportunities arising from major developments in the international environment, and changes in consumer trends in the post-COVID-19 market.

#### Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok is our largest listed equity investment. For 2021, the stock price was up 17.5% in Thai Baht terms, but when converted to US dollars, this appreciation dropped to 6.7% due to the weak Thai baht. Additionally, the company felt the negative effect of coronavirus pandemic restrictions on entry to Thailand (around 42.1% of Bumrungrad's patients are from overseas.)

The outlook for medical tourism remains uncertain for next year due to COVID-19 travel restrictions. However, Bumrungrad's success in attracting patients internationally through the delivery of high-quality medical services is likely to rebound.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

#### Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated healthy returns in 2021, in spite of the economic situation. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the major providers of Mandatory Provident Fund services in Hong Kong.

The Group's holding in BBL Asset Management Company Limited of Thailand represent 2.0% of our total assets. It operates as an investment management company and offers asset management, equities, fixed income, investment strategies, financial planning, and advisory services. It saw a stable return in 2021 and has continued to declare dividends for the past several years.

#### Property Development

The Group's interests in real estate are focused on Shanghai and represent 4.7% of our total assets. The main project is a residential and commercial complex in Jiading District in Shanghai, in which we have a 27.5% stake.

Although the outlook for China's property market is uncertain, there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 was developed in four stages, and in 2021 we took a healthy profit from residential sales of Stages Two and Three mainly. We anticipate that Stage Four will be put up for sale in early 2022, and that it will follow the successful trajectory of the project's previous stages.

The Group's property development associate has acquired a new 21,000 sqm piece of land in Qingpu district in Shanghai close to the Shanghai Hongqiao International Airport, with the plan to build 60,000 sqm of commercial and residential buildings.

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

As at 31st December, 2021, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Fair value as at 31st December, 2021 (HK\$'million)	% of total Group assets	Net realised and unrealised gain/(loss) (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	3,120	20.3%	(1,200)	187
Bumrungrad Hospital	37,214	1,233	8.0%	77	29

Both investments are mainly long-term strategic holdings.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **Impact of the COVID-19 Pandemic**

#### Effect on our operations, and relative risk and uncertainties

Economic volatility from COVID-19 did not have material effect on our overall 2021 performance. Many of our insurance business customers are SMEs, who were particularly vulnerable during the pandemic. However, this impacted our bottom line to a manageable extent only.

The performance of our investment portfolio in 2021 was also affected by COVID-19 indirectly but not to a significant extent. Based on recent market performance, and anticipating elevated inflation and slowing economic growth, we expect that COVID-19 could still have a modest impact on our investment portfolio performance in 2022.

#### Measures taken to manage the effects of COVID-19 pandemic

Our Company's traditionally watchful and cautious approach to investment has enabled us to successfully weather market volatility in periods of economic stress. This investment management strategy helped us to navigate successfully through the difficulties of 2021, and we anticipate it will continue to do so in the future.

In terms of actual exposure to the COVID-19 pandemic, in 2021 we took robust measures to protect the health and safety of our staff and our clients and encouraged our staff to have vaccination. We established new health protocols and guidelines, minimised the risk of business disruption by preparing detailed contingency plans, and expanded digital and software capacity to enable us to shift business activity online when necessary.

### **Compliance with Laws and Regulations**

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

### **Principal Risks and Uncertainties**

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance risk, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note of "Financial Risk Management Objectivity and Policies" to the consolidated financial statements of the Group in the 2021 annual report.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **Stakeholders**

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

#### Employees

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

#### Customers

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

#### Shareholders

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

### **Employees and Remuneration Policy**

The total number of employees of the Group for the year ended 31st December, 2021 was 314 (2020: 299). 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. The Group also offers various training and induction programmes to its employees.

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

## ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Friday, 20th May, 2022. Notice of the AGM will be published and despatched to the shareholders on or about Tuesday, 19th April, 2022.

## FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK10.5 cents (2020: HK7.0 cents) per share which, together with the interim dividend of HK4.0 cents (2020: HK1.0 cent) per share, will make a total dividend of HK14.5 cents (2020: HK8.0 cents) per share for the year ended 31st December, 2021. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Wednesday, 1st June, 2022 and the dividend warrants will be despatched to shareholders on or about Friday, 10th June, 2022.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of ascertaining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	4:30 p.m. on 16th May, 2022
Book close dates (both days inclusive)	17th to 20th May, 2022
Record date	20th May, 2022
AGM	20th May, 2022

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

Ex-dividend date for final dividend	26th May, 2022
Latest time to lodge transfers	4:30 p.m. on 27th May, 2022
Book close dates (both days inclusive)	30th May, 2022 to 1st June, 2022
Record date for final dividend	1st June, 2022

All transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than the above specified time.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31st December, 2021, a subsidiary of the Company repurchased a total of 6,882,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$25,875,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the year and after the end of the year. Details of the ordinary shares repurchased on the Stock Exchange during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2021	244,000	3.95	3.80	949
February 2021	3,482,000	4.10	3.80	13,504
March 2021	88,000	3.98	3.98	350
April 2021	156,000	3.95	3.95	616
June 2021	664,000	3.73	3.56	2,425
July 2021	470,000	3.74	3.62	1,745
October 2021	450,000	3.50	3.27	1,555
November 2021	630,000	3.60	3.49	2,239
December 2021	<u>698,000</u>	3.60	3.50	<u>2,492</u>
	<u>6,882,000</u>			<u>25,875</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 year and after the end of the year. As at the date of this announcement, the number of issued ordinary shares of the Company is 939,268,000 shares.

The purchase of the Company's shares during the year and after the end of the year was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2020 and 2021 respectively. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2021 and up to the date of this announcement.

## CORPORATE GOVERNANCE CODE

Throughout the year ended 31st December, 2021, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## REVIEW OF RESULTS

The Audit Committee of the Company has met the auditor of the Company, Ernst & Young, and reviewed and agreed with the auditor the Group's results for the year ended 31st December, 2021.

## PUBLICATION OF FINAL RESULTS AND ANNUAL 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 2021 annual report will be despatched to the shareholders and available at the same websites on or about Tuesday, 19th April, 2022.

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

Hong Kong, 25th March, 2022

*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 Mrs. LAI KO Wing Yee Rebecca, Mrs. SHUEN LEUNG Lai Sheung Loretta and Mr. AU YANG Chi Chun Evan.*

*\* For identification purpose only*